NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:
See "RATINGS" herein.

In the opinion of Co-Bond Counsel, interest on the 2019 Bonds will be excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings, and court decisions, subject to the conditions described in "TAX MATTERS" herein. In addition, interest on the 2019 Bonds will not be treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the federal alternative minimum tax. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof interest on the 2019 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of or the amount, accrual, or receipt of interest on, the 2019 Bonds. For a more complete discussion, see "TAX MATTERS" herein.

$147,615,000
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
Lease Revenue Refunding Bonds,
Series 2019

Dated: Date of Delivery **Due: As shown on inside cover page**

Capitalized terms used and not otherwise defined on this cover page have the meanings given to such terms in this Official Statement or APPENDIX D, as applicable.

The 2019 Bonds. The Philadelphia Authority for Industrial Development (the "Authority") is issuing the above-referenced bonds (the "2019 Bonds").

Purpose. The 2019 Bonds are being issued, together with certain other available moneys, to (i) refund the Refunded Bonds, as defined and further described herein, (ii) pay certain costs of terminating the swap agreements (or applicable portion) related to the Refunded Bonds, and (iii) pay the costs of issuing the 2019 Bonds. See "INTRODUCTION – Purpose" and "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security. The following is qualified in all respects by the information in this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS" and the documents referenced under such caption. The 2019 Bonds are payable by the Authority solely from certain rental payments to be made by:

THE CITY OF PHILADELPHIA

(the "City"), as further described below and herein.

The 2019 Bonds are payable by the Authority solely from certain rental payments (the "Rent") to be paid by the City under certain leases related to the stadium for the Philadelphia Eagles and the stadium for the Philadelphia Phillies, each lease dated as of April 1, 2001, as amended, together with any other lease or sublease hereafter pledged under the Indenture (collectively, the "Security Leases") between the Authority, as lessor, and the City, as lessee, certain swap payments to the Authority, if any, and certain other funds and moneys held by the Trustee as part of the Trust Estate established under the Indenture. Pursuant to the Indenture and except as otherwise provided therein, the Authority has assigned to the Trustee all of its right, title, and interest to certain rental payments to be made by the City under the Security Leases as security (i) for the 2019 Bonds and the other bonds issued under the Indenture and (ii) on a subordinate basis for the Authority's obligations under swaps related to bonds issued under the Indenture.

General. The Rent under the Security Leases is sized to be sufficient to pay, among other things, the principal of and interest on the 2019 Bonds when due. The Rent is payable solely from the current revenues of the City, is subject to annual appropriation by the City, and City Council is required by the City Charter to appropriate to pay the Rent in each Fiscal Year. The City has covenanted in the Security Leases to include in its annual operating budget and appropriate in each Fiscal Year amounts sufficient to pay all Rent payments in such Fiscal Year when due and has covenanted in the Ordinances to make appropriations in each Fiscal Year for such amounts. The obligation of the City to pay the Rent pursuant to the Security Leases is unconditional and absolute.

Limited Obligations. The 2019 Bonds are limited obligations of the Authority payable solely from the Trust Estate established under the Indenture, and are not obligations of the City, the Commonwealth of Pennsylvania (the "Commonwealth") or any other political subdivision or agency thereof. The 2019 Bonds are not secured by the General Fund of the City, and neither the general credit of the Authority nor the credit or taxing power of the City, the Commonwealth or any other political subdivision or agency thereof is pledged to the payment of the principal of the 2019 Bonds, or the interest thereon or any costs incidental thereto. The Authority has no taxing power.

Redemption. The 2019 Bonds are not subject to redemption prior to maturity.

Additional Obligations. The Authority has reserved the right to issue additional bonds and certain other obligations secured on a parity basis with the 2019 Bonds under the circumstances and upon satisfaction of certain conditions described in the Ordinances and the Indenture, all as described herein. See "THE 2019 BONDS – Additional Obligations" herein.

Interest Payment Dates. Interest on the 2019 Bonds is payable semiannually on each April 1 and October 1, commencing on April 1, 2020.

Tax Status. For information on the tax status of the 2019 Bonds, see the italicized language at the top of this cover page and "TAX MATTERS" herein.

Delivery Date. It is expected that the 2019 Bonds will be available for delivery to DTC on or about September 18, 2019.

This cover page contains certain information for quick reference only. It is not a summary of the 2019 Bonds or this Official Statement. Investors must read the entire Official Statement, including the Appendices, which are an integral part hereof, to obtain information essential to the making of an informed investment decision regarding the 2019 Bonds.

The 2019 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters and subject to the approval of the legality of the issuance of the 2019 Bonds by Cozen O'Connor and Ahmad Zaffarese LLC, Co-Bond Counsel, both of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Authority by Philip Brandt, Esq., Authority Counsel, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department. Hawkins Delafield & Wood LLP and Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, as Co-Disclosure Counsel to the City, will each deliver an opinion to the City and the Underwriters regarding certain matters.

RBC Capital Markets **Loop Capital Markets**
Citigroup **PNC Capital Markets LLC**
Stern Brothers & Co. **Quoin Capital LLC**

Dated: September 12, 2019

$147,615,000
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
Lease Revenue Refunding Bonds,
Series 2019

Maturity (October 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP†
2020	$10,205,000	5.000%	103.805	1.290%	71781Q EU8
2021	10,970,000	5.000	107.305	1.350	71781Q EV6
2022	11,510,000	5.000	110.726	1.380	71781Q EW4
2023	12,075,000	5.000	113.994	1.420	71781Q EX2
2024	12,670,000	5.000	117.180	1.450	71781Q EY0
2025	13,285,000	5.000	119.997	1.520	71781Q EZ7
2026	13,940,000	5.000	122.688	1.580	71781Q FA1
2027	14,625,000	5.000	124.859	1.680	71781Q FB9
2028	15,345,000	5.000	126.575	1.800	71781Q FC7
2029	16,095,000	5.000	128.308	1.890	71781Q FD5
2030	16,895,000	5.000	129.346	2.020	71781Q FE3

† CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of 2019 Bonds only at the time of issuance of the 2019 Bonds and the City, the Authority, the Trustee, and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the 2019 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2019 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the 2019 Bonds.

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
Nolan Atkinson	Chief Diversity & Inclusion Officer
Stephanie Tipton	Acting Chief Administrative Officer
Harold T. Epps.	Director of Commerce
Anne Fadullon	Director of Planning & Development
Otis Hackney	Chief Education Officer
Sheila Hess	City Representative
Ellen Mattleman Kaplan	Chief Integrity Officer
Amy Kurland	Inspector General
Richard Lazer	Deputy Mayor of Labor
Deborah Mahler	Deputy Mayor for Intergovernmental Affairs

CITY TREASURER

Christian Dunbar

CITY CONTROLLER

Rebecca Rhynhart

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority, the City, or the Underwriters to give any information or to make representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City, or the Underwriters. The offering of the 2019 Bonds is made only by means of this entire Official Statement.

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 2019 Bonds by any person, in any jurisdiction in which such sale would be unlawful.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2019 Bonds described in this Official Statement 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 Authority, the City, the Underwriters and the purchasers or owners of any offered 2019 Bonds. This Official Statement is being provided to prospective purchasers either in bound printed form ("Original Bound Format") or in electronic format on the following websites: www.mcelweequinn.com and https://emma.msrb.org. 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 Authority and the City and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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 neither the Authority nor the City assumes any obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability to fulfill some or all of the obligations under the 2019 Bonds.

Public Offering Prices. In connection with the offering of the 2019 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2019 Bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

No Recommendation or Registration. The 2019 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The 2019 Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such act; and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such act.

<u>Summary of the Offering</u>

This summary is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the 2019 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page, the inside cover page, and the Appendices. Capitalized terms used in this summary and not otherwise defined in the front portion of this Official Statement have the meanings given to such terms in APPENDIX D.

Issuer: The Philadelphia Authority for Industrial Development (the "Authority").

Bonds Offered: $147,615,000 aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2019 (the "2019 Bonds").

Interest Payment Dates: Interest on the 2019 Bonds is payable semiannually on each April 1 and October 1, commencing on April 1, 2020.

Security and Sources of Payment: The following is qualified in all respects by the information in this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS" and the documents referenced under such caption.

The 2019 Bonds are payable by the Authority solely from certain rental payments (the "Rent") to be paid by the City under certain leases related to the stadium for the Philadelphia Eagles and the stadium for the Philadelphia Phillies, each lease dated as of April 1, 2001, as amended, together with any other lease or sublease hereafter pledged under the Indenture (collectively, the "Security Leases") between the Authority, as lessor, and the City, as lessee, certain swap payments to the Authority, if any, and certain other funds and moneys held by the Trustee as part of the Trust Estate established under the Indenture. Pursuant to the Indenture and except as otherwise provided therein, the Authority has assigned to the Trustee all of its right, title, and interest to certain rental payments to be made by the City under the Security Leases as security (i) for the 2019 Bonds and the other bonds issued under the Indenture and (ii) on a subordinate basis for the Authority's obligations under swaps related to bonds issued under the Indenture.

<u>General</u>

The Rent under the Security Leases is sized to be sufficient to pay, among other things, the principal of and interest on the 2019 Bonds when due. The Rent is payable solely from the current revenues of the City, is subject to annual appropriation by the City, and City Council is required by the City Charter to appropriate to pay the Rent in each Fiscal Year. The City has covenanted in the Security Leases to include in its annual operating budget and appropriate in each Fiscal Year amounts sufficient to pay all Rent payments in such Fiscal Year when due and has covenanted in the Ordinances to make appropriations in each Fiscal Year for such amounts. The obligation of the City to pay the Rent pursuant to the Security Leases is unconditional and absolute.

<u>Limited Obligations</u>

The 2019 Bonds are limited obligations of the Authority payable solely from the Trust Estate established under the Indenture and are not obligations of the City, the Commonwealth of Pennsylvania (the "Commonwealth") or any other political subdivision or agency thereof. The 2019 Bonds are not secured by the General Fund of the City, and neither the general credit of the Authority nor the credit or taxing power of the City, the Commonwealth or any other political subdivision or agency thereof is pledged to the payment of the principal of the

2019 Bonds, or the interest thereon or any costs incidental thereto. The Authority has no taxing power.

Additional Obligations:	The Authority has reserved the right to issue additional obligations secured on a parity basis with the 2019 Bonds under the circumstances and upon satisfaction of certain conditions described in the Ordinances and the Indenture, all as described herein. See "THE 2019 BONDS – Additional Debt" herein.
Use of Proceeds:	The 2019 Bonds are being issued, together with certain other available moneys, to (i) refund the Refunded Bonds, as defined and further described herein, (ii) pay certain costs of terminating the swap agreements (or applicable portion) related to the Refunded Bonds, and (iii) pay the costs of issuing the 2019 Bonds. See "INTRODUCTION – Purpose" and "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.
Redemption:	The 2019 Bonds are not subject to redemption prior to maturity.
Authorized Denominations:	The 2019 Bonds will be issued as fully registered bonds in denominations of $5,000 and integral multiples thereof.
Form and Depository:	The 2019 Bonds will be delivered solely in registered form under a global book-entry system through the facilities of DTC. See APPENDIX G.
Tax Status:	For information on the tax status of the 2019 Bonds, see the italicized language at the top of the cover page of this Official Statement and "TAX MATTERS" herein.
Ratings:	Fitch: "A-" (Positive outlook) Moody's: "A2" (Stable outlook) S&P: "A" (Stable outlook) See "RATINGS" herein.

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(continued)

OFFICIAL STATEMENT

Relating To

$147,615,000
PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
Lease Revenue Refunding Bonds,
Series 2019

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page, and the attached Appendices, is furnished in connection with the offering by the Philadelphia Authority for Industrial Development, Philadelphia, Pennsylvania (the "Authority") of $147,615,000 aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2019 (the "2019 Bonds"). Reference should be made to the material under the caption "THE 2019 BONDS" for a description of the 2019 Bonds and to APPENDIX G for a description of the book-entry system applicable thereto.

Certain factors that may affect an investment decision concerning the 2019 Bonds are described throughout this Official Statement. Prospective purchasers considering a purchase of the 2019 Bonds should read this Official Statement, including the cover page, the inside cover pages and the Appendices, which are an integral part hereof, in its entirety. All estimates and assumptions of financial and other information are based on information currently available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting forward-looking statements may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from the adopted and proposed budgets of The City of Philadelphia (the "City"), as well as from the City's five-year financial plans. See APPENDIX A – "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information" hereto. Accordingly, no assurance is given that any projected future results will be achieved.

Capitalized terms used and not otherwise defined in the front portion of this Official Statement have the meanings given to such terms in APPENDIX D.

Authorization

The 2019 Bonds are being issued pursuant to the provisions of (i) the Pennsylvania Economic Development Financing Law, Act No. 102 of the General Assembly of the Commonwealth of Pennsylvania approved August 23, 1967 (P.L. 251), as amended and supplemented (the "Act"), (ii) a resolution of the Authority adopted July 16, 2019 (the "Resolution"), and (iii) an Eighth Supplemental Trust Indenture dated as of September 1, 2019 (the "Eighth Supplemental Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), supplementing the Trust Indenture dated as of April 1, 2001 (the "Original Indenture"), as amended and supplemented by seven supplemental indentures (the Original Indenture, as amended and supplemented by such seven supplemental indentures and the Eighth Supplemental Indenture, is referred to as the "Indenture").

Pursuant to an Ordinance (Bill No. 000721-A) passed by City Council on December 20, 2000, and signed by the Mayor of the City on December 28, 2000, and an Ordinance (Bill No. 000722-A) passed by City Council on December 20, 2000, and signed by the Mayor of the City on December 28, 2000 (collectively, the "Ordinances"), the City has authorized the payment of the Rent (as defined herein).

Purpose

The proceeds of the 2019 Bonds are being used, together with certain other available moneys, to (i) refund all of the Authority's outstanding 2007B-3 Bonds and 2014A Bonds, each as defined below (collectively, the "Refunded Bonds"), (ii) pay certain costs of terminating the swap agreements (or applicable portion) related to the Refunded Bonds, and (iii) pay the costs of issuing the 2019 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Authority has previously issued its (i) Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-2, currently outstanding in the principal amount of $72,400,000 (the "2007B-2 Bonds"), (ii) Multi-Modal Lease Revenue Refunding Bonds 2007 Series B-3, currently outstanding in the principal amount of $44,605,000 (the "2007B-3 Bonds"), and (iii) Lease Revenue Refunding Bonds, 2014 Series A, currently outstanding in the principal amount of $117,275,000 (the "2014A Bonds").

The Authority, at the request of the City, previously issued its Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B, which in 2011 were designated as four subseries, consisting of the Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-1 (the "2007B-1 Bonds"), the 2007B-2 Bonds, the 2007B-3 Bonds, and the Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-4 (the "2007B-4 Bonds").

The Authority, at the request of the City, previously issued the 2014A Bonds, which were privately purchased and financed a project consisting of the current refunding of all of the outstanding 2007B-1 Bonds.

The Authority, at the request of the City, previously issued the Lease Revenue Refunding Bonds, 2014 Series B (the "2014B Bonds"), which, among other things, financed a project consisting of: (i) the current refunding of all of the outstanding 2007B-4 Bonds, and (ii) the payment of certain costs of terminating a portion of the swap agreements related to the 2007B-4 Bonds. The 2014B Bonds matured on October 1, 2018 and were paid in full on such date.

The 2007B-2 Bonds and the 2007B-3 Bonds are supported by separate irrevocable, direct-pay letters of credit. For information on the letters of credit related to such bonds, see Table 45 in APPENDIX A hereto.

The 2007B-2 Bonds, the 2007B-3 Bonds, and the 2014A Bonds were each issued as variable rate bonds and the Authority entered into certain interest rate swap agreements (including certain amendments) in order to mitigate its interest rate risk with respect to such bonds. For information on the swap agreements entered into in connection with such bonds, see "SWAP AGREEMENTS" herein.

Philadelphia Authority for Industrial Development

The Authority, a public instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and a body corporate and politic, was created in 1967 pursuant to the Act. See "THE AUTHORITY" herein.

Security for the 2019 Bonds

The following is qualified in all respects by the information in this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS" and the documents referenced under such caption.

The 2019 Bonds are payable by the Authority solely from certain funds and moneys held by the Trustee under the Indenture, payments, if any, to the Authority under swap agreements entered into by the Authority in connection with Bonds (as defined below), and certain rental payments (the "Rent") to be paid by the City, as lessee, to the Authority, as lessor, under the following leases: (i) the Eagles Prime Lease dated as of April 1, 2001 (the "Eagles Prime Lease") with respect to the Eagles Premises (as defined herein) (not including rental payments with respect to certain operating and maintenance expenses associated with the Eagles Premises); and (ii) the Phillies Prime Lease dated as of April 1, 2001, as amended (the "Phillies Prime Lease") with respect to the Phillies Premises (as defined herein). Collectively, the Eagles Prime Lease and the Phillies Prime Lease, together with any other lease or sublease hereafter pledged to secure the Bonds (as defined herein), shall from time to time be referred to herein as the "Security Leases."

The Rent under the Security Leases is sized to be sufficient to pay, among other things, the principal of and interest on the 2019 Bonds when due. The Rent is payable solely from the current revenues of the City, is subject to annual appropriation by the City, and City Council is required by the City Charter to appropriate to pay the Rent in each Fiscal Year. The City has covenanted in the Security Leases to include in its annual operating budget and appropriate in each Fiscal Year amounts sufficient to pay all Rent payments in such Fiscal Year when due and has covenanted in the Ordinances to make appropriations in each Fiscal Year for such amounts. The obligation of the City to pay the Rent pursuant to the Security Leases is unconditional and absolute.

As used herein, the term "Bonds" refers collectively to the 2007B-2 Bonds, the 2019 Bonds, and any future indebtedness issued under the Indenture ("Additional Debt"). The Bonds are secured equally and ratably under the Indenture, except as otherwise provided therein.

In order to secure the Bonds (and, on a subordinate basis, the Authority's obligations under any swaps entered into by the Authority in respect of Bonds), the Authority has assigned to the Trustee the Rent to be received by it from the City under the Security Leases. The Bonds (and any such swap obligations on a subordinate basis) also are secured by the funds and accounts established under the Indenture (other than the Rebate Fund and any other fund or account established hereafter and specifically excluded from the pledge of the Indenture), including all instruments and obligations in which the moneys in such funds and accounts may from time to time be invested and all interest and other investment earnings thereon and proceeds thereof.

Neither the Phillies nor the Eagles are obligated to make any payments with respect to the Bonds. Additionally, pursuant to the Eagles Prime Lease, the rental payments made by the City to the Authority thereunder for the payment of the principal or redemption price of, and interest on the Bonds, are subordinate to the payment of certain rental payments made by the City to the Authority with respect to certain operating and maintenance expenses associated with the Eagles Premises.

The 2019 Bonds are limited obligations of the Authority payable solely from the Trust Estate (as defined in APPENDIX D hereto) established under the Indenture, and are not obligations of the City, the Commonwealth or any other political subdivision or agency thereof. The 2019 Bonds are not secured by the General Fund of the City, and neither the general credit of the Authority nor the credit or taxing power of the City, the Commonwealth or any other political subdivision or agency thereof is pledged to the payment of the principal of the 2019 Bonds, or the interest thereon or any costs incidental thereto. The Authority has no taxing power.

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

Trustee

The Bank of New York Mellon Trust Company, N. A. is a national banking association organized and existing under the laws of the United States of America, having a corporate trust office in Philadelphia, and is serving as Trustee under the Indenture. The designated corporate trust office of the Trustee is The Bank of New York Mellon Trust Company, N. A. 1735 Market Street, AIM 193-0650, Philadelphia, PA 19103.

Information Regarding The City of Philadelphia

The City's Comprehensive Annual Financial Report and other information about the City can be found on the City's website at www.phila.gov/investor (the "City's Investor Website"). The "Terms of Use" statement of the City's Investor Website, which applies to all users of the City's Investor Website, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City's Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. The information contained on the City's Investor Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2019 Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.

APPENDIX A provides information regarding the City, including relevant statutory provisions, financial information, litigation information, the relationship with the Pennsylvania Intergovernmental Cooperation Authority ("PICA") and the City's five-year plans. APPENDIX B contains socioeconomic and demographic information about the City. APPENDIX C contains the Comprehensive Annual Financial Report of the City for the Fiscal Year ended June 30, 2018 (the "Fiscal Year 2018 CAFR"). Certain information contained in APPENDIX A regarding the City is for periods prior to or subsequent to June 30, 2018. As a result, certain of the information in APPENDIX C is, at times, at variance with corresponding information concerning the City in APPENDIX A.

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2018 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 and its Appendices. 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 2018 CAFR.

The Authority makes no representation as to the accuracy of any information contained in, or referenced in, this Official Statement relating to the City. Because the general credit of the Authority is not pledged to the payment of the 2019 Bonds, no financial information or operating data with respect to the Authority has been included in this Official Statement.

Miscellaneous

Brief descriptions of the Authority, the 2019 Bonds, the Security Leases, the Ordinances, and the Indenture are included in this Official Statement. The summaries of the documents contained herein do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference to the entire text of such documents, and the description herein of the 2019 Bonds is qualified in its entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights.

Copies of the Ordinances, the Resolution, the Indenture, and the Security Leases may be obtained from the Authority and, during the initial offering period, at the principal offices of the Representative of the Underwriters (as defined herein). After delivery of the 2019 Bonds, such copies may be obtained from the Trustee at its designated corporate trust office.

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

THE AUTHORITY

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

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Board of the Authority

The governing body of the Authority is a board consisting of up to five members appointed by the Mayor of the City. The Authority's Board currently has one vacancy. Members of the Authority's board serve at the pleasure of the Mayor. The following persons are the present members of the board and certain of the officers of the Authority.

Name	Position
Evelyn F. Smalls	Chairperson
David L. Hyman, Esquire	Vice Chairman
Thomas A. K. Queenan	Treasurer
Kate Hagedorn	Secretary
Wanda Speight[(1)]	Assistant Secretary
Samuel V. Rhoads[(1)]	Assistant Secretary

(1) Non-Member

Indebtedness of the Authority

The Authority has a number of special obligation bond and note issues outstanding and may issue others from time to time. Each such issue is payable solely from revenues derived from the project being financed, from special funds established therefor or from other financing arrangements, is separately secured, and is separate and independent from the 2019 Bonds (other than any obligations issued by the Authority under the Indenture) as to sources of payment and security.

The Authority has experienced defaults with respect to certain obligations issued by it, by reason of nonpayment of debt service by the party receiving financing through the Authority. However, the 2019 Bonds are payable solely from the funds pledged under the Indenture, and any other obligations issued by the Authority (other than any obligations issued by the Authority under the Indenture) are payable solely from the funds specifically pledged for the payment of such other obligations. Accordingly, a default on another issue of obligations issued by the Authority (other than any obligations issued by the Authority under the Indenture) would not constitute a default on the 2019 Bonds. The Authority may from time to time enter into further transactions with the City or other entities in connection with other projects. Such transactions will provide for the issuance of bonds or notes to be secured by separate sources of revenues or other security.

Certain Other Activities

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

THE AUTHORITY HAS NOT PREPARED OR ASSISTED IN THE PREPARATION OF THIS OFFICIAL STATEMENT. EXCEPT FOR THE STATEMENTS MADE UNDER THE HEADINGS "INTRODUCTION – PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT," "THE AUTHORITY" AND "NO LITIGATION – THE AUTHORITY," THE AUTHORITY IS NOT RESPONSIBLE FOR AND DOES NOT REPRESENT OR WARRANT IN ANY WAY THE ACCURACY OR COMPLETENESS OF ANY INFORMATION OR ANY STATEMENTS MADE HEREIN. ACCORDINGLY, EXCEPT AS AFORESAID, THE AUTHORITY DISCLAIMS

RESPONSIBILITY FOR THE DISCLOSURES SET FORTH HEREIN MADE IN CONNECTION WITH THE OFFER, SALE, AND DISTRIBUTION OF THE 2019 BONDS.

The Authority's address is 1500 Market Street, Suite 3500 West, Philadelphia, Pennsylvania 19102-2126.

THE 2019 BONDS

General

The 2019 Bonds will be dated the date of their issuance and delivery and will bear interest at the respective rates per annum and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2019 Bonds are being issued as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof.

Interest on the 2019 Bonds is payable semiannually on each April 1 and October 1, commencing on April 1, 2020. Each such date is an "Interest Payment Date." Interest shall be computed on the basis of a year of 360 days, consisting of twelve 30-day months.

The principal of each 2019 Bond will be payable at the designated corporate trust office of the Trustee or any Paying Agent upon presentation and surrender of such 2019 Bonds by the registered owners thereof. Interest on each 2019 Bond is payable by check or draft of the Trustee mailed to the person in whose name such 2019 Bond is registered (the "Registered Owner") on the registration books maintained by the Trustee (the "Register") at the close of business on the Record Date (as defined and described below) or by wire transfer to an account at a financial institution in the continental United States to the Registered Owner of at least $1,000,000 in aggregate principal amount of 2019 Bonds upon written notice provided by such Registered Owner to the Trustee not later than the Record Date for the first payment to which such election applies. The "Record Date" for the 2019 Bonds will be the fifteenth day (whether or not a business day) of the month preceding each Interest Payment Date.

If available funds are insufficient on any Interest Payment Date to pay the interest then due, such interest will cease to be payable to the Registered Owner of such 2019 Bond. If sufficient funds thereafter become available for the payment of such overdue interest, the Trustee has agreed to establish a special interest payment date on which such overdue interest shall be paid and a special record date relating thereto for determining the owners of the 2019 Bonds entitled to such payments.

The Trustee shall mail a notice of the special record date and special interest payment date for the 2019 Bonds to each Registered Owner of such 2019 Bonds at least ten (10) days prior to the special record date for such 2019 Bonds but not more than thirty (30) days prior to the special interest payment date for such 2019 Bonds.

The 2019 Bonds will be issued initially in "book-entry" form only, as described in APPENDIX G.

Transfer and Exchange

The 2019 Bonds may be transferred and exchanged upon delivery thereof to the office of the Trustee, to the extent and upon the conditions set forth in the Indenture. No service charge shall be made for any exchange or transfer, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed.

Neither the Authority nor the Trustee is required to transfer or exchange any 2019 Bond during the period from a Record Date through the next Interest Payment Date, inclusive.

No transfer or exchange of 2019 Bonds made other than as described above and in the Indenture shall be valid or effective for any purpose thereunder.

If any 2019 Bond is mutilated, lost, stolen or destroyed, the Authority shall execute and the Trustee shall authenticate and deliver a new 2019 Bond of like tenor and denomination. The Authority and the Trustee may require indemnification against any and all claims arising out of the issuance of substitute 2019 Bonds.

Redemption Provisions

The 2019 Bonds are not subject to redemption prior to maturity.

Additional Debt

In accordance with the provisions of the Indenture, the Authority may issue Additional Debt from time to time pursuant to a Supplemental Indenture, which Additional Debt shall be on parity with the Bonds, including the 2019 Bonds, except as provided in the Indenture or a Supplemental Indenture and may be issued in one or more series and in various principal amounts, and may bear interest at different rates and otherwise may vary as provided in the Indenture and such Supplemental Indenture. Additional Debt may not be issued on a senior basis to the Bonds. Each series of Bonds constitutes Debt under the Indenture. Additional Debt may be issued as a series of bonds, notes, or other evidences of indebtedness. The Authority currently has no Debt Outstanding under the Indenture other than the 2007B-2 Bonds, the 2007B-3 Bonds, the 2014A Bonds, and upon issuance, the 2019 Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES" in APPENDIX D hereto.

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SWAP AGREEMENTS

The Authority entered into separate interest rate swap agreements (including certain amendments) in connection with the 2007B-2 Bonds, the 2007B-3 Bonds, and the 2014A Bonds (collectively, the "Swap Agreements") with JPMorgan Chase Bank, National Association ("JPMorgan") and Merrill Lynch Capital Services, Inc. ("MLCS" and, together with JPMorgan, the "Counterparties"), pursuant to which the Authority makes periodic fixed rate payments to the Counterparties and the Counterparties make periodic floating rate payments to the Authority. The Authority also entered into a basis swap agreement (the "Basis Swap Agreement") with MLCS in connection with the Authority's Fixed Rate Lease Revenue Refunding Bonds, 2007 Series A (which have been retired). The Swap Agreements and the Basis Swap Agreement are subject to termination prior to their scheduled termination dates by either party under a number of circumstances. Such early termination could result in either a payment from the Authority to the Counterparties or from the Counterparties to the Authority depending on market conditions at the time of early termination. Payment obligations under the Swap Agreements and the Basis Swap Agreement are subordinate in security and priority of payment to the Bonds. The Swap Agreements (or applicable portion) related to the Series 2007B-3 Bonds and the Series 2014A Bonds were terminated on September 11, 2019 (the date the 2019 Bonds were priced), for settlement on the settlement date for the issuance of the 2019 Bonds, currently scheduled for September 18, 2019. In addition, in connection with the refunding, the Authority has terminated the Basis Swap Agreement and has received a payment from MLCS. See Table 44 in APPENDIX A for a summary of the City's swaps related to its General Fund-Supported Debt (as defined herein). Also see "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS."

SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS

General

The Bonds, including the 2019 Bonds, are limited obligations of the Authority and are payable solely from certain rental payments to be made by the City, as lessee, to the Authority, as lessor, under the Security Leases (not including rental payments with respect to certain operating and maintenance expenses associated with the Eagles Premises (as defined below)) and certain amounts available therefor under the Indenture, if any, including payments to the Authority under swap agreements entered into by the Authority in connection with the Bonds. The Security Leases consist of: (i) the Eagles Prime Lease, pursuant to which the City has leased from the Authority a parcel of land in connection with the development of a football stadium (known as Lincoln Financial Field) constructed on such parcel, together with the improvements thereon, including the football stadium (the "Eagles Premises"); and (ii) the Phillies Prime Lease, pursuant to which the City has leased from the Authority certain parcels of land in connection with the development of a baseball park (known as Citizens Bank Park) constructed on such parcels, together with the improvements thereon, including the baseball park (the "Phillies Premises"). Neither the Phillies nor the Eagles are obligated to make any payments with respect to the Bonds, including the 2019 Bonds.

Pursuant to the Eagles Prime Lease, the rental payments made by the City to the Authority thereunder for the payment of the principal or redemption price of, and interest on the Bonds, including the 2019 Bonds, are subordinate to the payment of certain rental payments made by the City to the Authority with respect to certain operating and maintenance expenses associated with the Eagles Premises. Such operating and maintenance expenses range from $10 million to $12 million annually through Fiscal Year 2027.

Limited Obligations

The Bonds, including the 2019 Bonds, are not obligations of the City, the Commonwealth or any other political subdivision or agency thereof. The Bonds, including the 2019 Bonds, are not secured by the General Fund of the City, and neither the general credit of the Authority, nor the credit or taxing power of the City, the Commonwealth or any other political subdivision or agency thereof is pledged to the payment of the principal of the Bonds, including the 2019 Bonds, or interest thereon or any costs incidental thereto. The Authority has no taxing power.

City Charter

Under the City's Home Rule Charter, at 351 Pa. Code § 2.2-309 (the "City Charter"), City Council is obligated to make annual appropriations to pay amounts coming due under the Security Leases as provided in the Ordinances, as further described below. The City Charter permits City Council to authorize the leasing of real estate for more than one year without making appropriations therefor beyond the current year. Such leases are valid and binding upon the City although no appropriations have been made for the ensuing years during which such agreements are to be operative, but it is the duty of City Council to make subsequent appropriations from year to year to pay amounts coming due under such leases. The Security Leases constitute such leases.

Ordinances

Pursuant to the Ordinances, City Council has authorized the execution and delivery of the Security Leases. The City has covenanted in the Ordinances to make appropriations in each Fiscal Year during the terms of the Security Leases in such amounts as will be required to make all Rent payments and pay all other amounts due and payable under the Security Leases, and to make such payments, which have been assigned to the Trustee by the Authority, directly to the Trustee. The term of each Security Lease shall not expire so long as the Bonds, including the 2019 Bonds, issued by the Authority under the Indenture are Outstanding.

Obligation of City to Pay Rent Unconditional and Absolute

The Security Leases provide that so long as, among other things, any of the Bonds remain Outstanding, notwithstanding that all or any part of the premises leased thereunder shall have been wholly or partially destroyed, damaged or injured, and shall not have been repaired, replaced or rebuilt, the obligation of the City to pay rentals shall be absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, regardless of any rights of setoff, recoupment or counterclaim that the City might otherwise have against the Authority or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise or take place after the date of the Security Leases.

Indenture

The Bonds, including the 2019 Bonds, are secured by the funds and accounts established under the Indenture (other than the Rebate Fund, and any other fund or account now existing or established hereafter and specifically excluded from the pledge of the Indenture) including all instruments and obligations in which the moneys in such pledged funds and accounts may from time to time be invested and all interest and other investment earnings thereon and proceeds thereof.

In order to secure the payment of the principal or redemption price of and interest on the Bonds, including the 2019 Bonds, the obligations under any swaps entered into by the Authority in respect of Bonds (on a subordinate basis) and the performance and observance by the Authority of all of the covenants, express or implied in the Indenture and the Bonds, the Authority, pursuant to the Indenture, has assigned to the Trustee: (i) the rights, title and interest of the Authority to certain rental payments under the Eagles Prime Lease (not including rental payments with respect to certain operating and maintenance expenses associated with the Eagles Premises) and the Phillies Prime Lease (excepting the right to certain amounts payable to the Authority for insurance premiums and any rebate liability, and certain fees, expenses and indemnities payable thereunder as set forth in the Indenture) and the rights and remedies associated with such payments, and (ii) all funds and accounts established under the Indenture (other than the Rebate Fund, and any other fund or account now existing or established hereafter and specifically excluded from the pledge of the Indenture), and investment earnings thereon, subject to disbursements from such fund or account in accordance with the Security Leases and the Indenture.

See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES" in APPENDIX D hereto.

Security Leases

The City has agreed in the Security Leases, to, among other things, make certain rental payments to the Authority, which, together with all other available amounts therefor under the Indenture, if any, will be sufficient for the Authority to make its required payments of principal of and premium, if any, and interest on the Bonds, including the 2019 Bonds, then becoming due, whether by maturity, redemption or otherwise (other than by reason of acceleration under the Indenture) and any payments due under any swaps entered into by the Authority in respect of the Bonds. See "– Rent Payable Out of Current Revenues; Covenant to Budget and Appropriate; Not City Indebtedness" below.

The failure of the City to pay Rent or any other amount, charge, fee or sum required to be paid by the City under the Security Leases when due constitutes a default under the Security Leases. A default under the Security Leases will not cause an acceleration of payments thereunder or the right to terminate any Security Lease. Acceleration of the Bonds will not cause an acceleration of the Rent payable by the City under the Security Leases. See "– Remedies for Bondholders" below.

See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES" in APPENDIX D hereto.

Rent Payable Out of Current Revenues; Covenant to Budget and Appropriate; Not City Indebtedness

The Rent is payable only out of current revenues of the City, and is subject to annual appropriation by the City. The City has agreed in the Security Leases to provide for the payment of the Rent and include the same in its annual operating budget for each Fiscal Year. The City covenants in the Security Leases to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Rent payments due and payable under the Security Leases in each of the City's Fiscal Years. If the City's current revenues are insufficient to pay the total Rent in any Fiscal Year as the same becomes due and payable, the City covenants in the Security Leases to include amounts not so paid in its operating budget for the ensuing Fiscal Year and produce sufficient current revenues to pay in each ensuing Fiscal Year such balance due for the preceding Fiscal Year in addition to the amount of the Rent due for such ensuing Fiscal Year. See APPENDIX A – "DISCUSSION OF FINANCIAL OPERATIONS – Budget Procedure."

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

Remedies for Bondholders

The failure to pay, as the case may be, interest on, or principal or redemption price of, Debt (including the 2019 Bonds) when due constitutes an Event of Default under the Indenture. Upon the occurrence and continuation of such an Event of Default, the Trustee shall declare the principal amount of the Outstanding 2019 Bonds (together with other Debt to the extent set forth in the Indenture), to be immediately due and payable. In addition, if such an Event of Default is continuing, the Trustee may (or, at the direction of holders of Debt on the terms set forth in the Indenture, shall), in its own name exercise certain remedies in accordance with the terms set forth in the Indenture including: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the related holders of Debt including the right to require the Authority to enforce collection of all amounts due and payable under the Security Leases and to require the Authority to carry out any other agreements with, or for the benefit of, the related holders of Debt and to perform its duties under the law; (b) bring suit upon the Debt then Outstanding (including the 2019 Bonds) under the Indenture or the Security Leases (which with respect to the latter, is limited to a cause of action related to those rents pledged and assigned under the Indenture and the rights and remedies related thereto assigned under the Indenture); (c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the holders of Debt; (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the holders of Debt under the Indenture; (e) exercise any or all other rights and remedies provided for by the Act or by any other law or in equity; and (f) exercise any or all other rights and remedies granted under the Security Leases (which is limited to a cause of action related to those rents pledged and assigned under the Indenture and the rights and remedies related thereto assigned under the Indenture).

Upon the occurrence and continuance of a payment default under the Security Leases, the Authority (or the Trustee as assignee of the Authority) may, at its option exercise one or more of certain remedies including, among other things, instituting proceedings to require the City to perform its obligations under the Security Leases or to enjoin violations of the Authority's rights under the Security Leases or to compel specific performance of the Security Leases by the City. In no event (including an acceleration of the Authority's payment obligations under the Debt including the 2019 Bonds) shall payment of the Rent due under the Security Leases be accelerated.

Accordingly, although the Trustee can accelerate the Authority's payment obligations with respect to the 2019 Bonds, neither the Authority nor the Trustee is empowered to accelerate the City's obligations under the Security Leases to make payments thereunder in amounts sufficient to pay, among other things, the principal of and interest on the Debt including the 2019 Bonds upon the occurrence and continuance of an Event of Default under the Indenture.

For additional information regarding the rights of holders of Debt and remedies available upon the occurrence of events of default under the Indenture and the Security Leases, as well as limitations on such rights and remedies, see APPENDIX D.

The rights and remedies of holders of Debt with respect to the City's and the Authority's obligations under the Security Leases, the Indenture, and the 2019 Bonds could be significantly limited by the provisions of Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Chapter 9 permits, under prescribed circumstances (and only after an authorization by the applicable state legislature or by a governmental office or organization empowered by state law to give such authorization), a "municipality" of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature, and it desires to effect a plan to adjust its debt. Chapter 9 defines "municipality" as a "political subdivision or public agency or instrumentality of a State." Thus, for purposes of Chapter 9, except as may be limited by state law, each of the Authority and the City would be considered a "municipality." As a result of the commencement of a federal bankruptcy case by either the Authority or the City, bondholders could experience delays in receiving bond payments, as well as partial or total losses of their investments in the 2019 Bonds.

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Pa. P.L. 9, No. 6 (1991)) (the "PICA Act"), prohibits the City from filing a petition for relief under Chapter 9 so long as PICA has outstanding any bonds issued pursuant to the PICA Act ("PICA Bonds"). As of August 1, 2019, the principal amount of PICA Bonds outstanding was $129,745,000. The final maturity date for such PICA Bonds is June 15, 2023, which will occur prior to the final maturity of the 2019 Bonds. Under the PICA Act, no additional new money PICA Bonds may be issued. If no PICA Bonds are outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City and of the plan proposed by the City in such filing. If the Governor were to grant an approval for the City to file a petition under Chapter 9 and of the City's restructuring plan, and the City were to so file, provisions of the United States Bankruptcy Code could limit the enforcement of bondholders' rights and remedies. See APPENDIX A – "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Non-Mayor-Appointed or Nominated Agencies* – PICA."

No Pennsylvania law currently permits an entity such as the Authority to file a petition under Chapter 9 nor is there any state law that permits any state official to authorize such a filing by the Authority.

Regardless of any specific adverse determinations in an Authority or City bankruptcy proceeding, the existence of such a proceeding could have a materially adverse effect on the liquidity and value of the 2019 Bonds.

PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2019 Bonds are being used, together with certain other available moneys, to (i) refund the Refunded Bonds, (ii) pay certain costs of terminating the swap agreements (or applicable portion) related to the Refunded Bonds, and (iii) pay the costs of issuing the 2019 Bonds.

A portion of the proceeds of the 2019 Bonds, together with certain other available moneys, will be applied to the redemption of the 2007B-3 Bonds (through a reimbursement of the related letter of credit redemption draw for the 2007B-3 Bonds) on the date of issuance of the 2019 Bonds. After such redemption and reimbursement, the letter of credit related to the 2007B-3 Bonds will be surrendered and cancelled.

A portion of the proceeds of the 2019 Bonds, together with certain other available moneys (in a total amount sufficient to redeem the 2014A Bonds on the date fixed for redemption), will be (i) deposited in an escrow fund established under an Escrow Deposit Agreement among the Authority, the City, and the Trustee, as escrow agent, (ii) invested in United States Treasury obligations, and (iii) applied to the payment of the accrued interest on, and redemption price of, the 2014A Bonds on the date fixed for the redemption of such Refunded Bonds, which is currently expected to be October 1, 2019. See "VERIFICATION" herein.

The swap agreements (or applicable portion) related to the Series 2007B-3 Bonds and the Series 2014A Bonds were terminated on September 11, 2019 (the date the 2019 Bonds were priced), for settlement on the settlement date for the issuance of the 2019 Bonds, currently scheduled for September 18, 2019.

For more information on the Refunded Bonds, see APPENDIX H.

The following table sets forth estimated sources and uses of funds in connection with the 2019 Bonds:

	2019 Bonds
Sources of Funds	
Principal Amount	$147,615,000.00
Original Issue Premium	29,337,753.30
Other Available Moneys(1)	14,198,000.03
Total Sources of Funds	**$191,150,753.33**
Uses of Funds	
Refunding of the Refunded Bonds	$162,094,033.60
Swap Termination Payments(2)	27,334,000.00
Costs of Issuance(3)	1,722,719.73
Total Uses of Funds	**$191,150,753.33**

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(1) Inclusive of $637,000.00 received in connection with the termination of the Basis Swap Agreement.

(2) Includes accrued swap payments.

(3) Includes legal fees, Underwriters' discount, printing, rating agency fees, trustee fees, verification agent fees, financial advisor fees, and other expenses of the offering.

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FISCAL YEAR DEBT SERVICE REQUIREMENTS

Set forth on the following page is the schedule of estimated Fiscal Year debt service payments due on (i) the 2019 Bonds, and (ii) all outstanding General Fund-Supported Debt in each Fiscal Year of the City ending June 30. For more information on the City's outstanding debt, see "DEBT OF THE CITY" (and Tables 40-43 therein) and "OTHER FINANCING RELATED MATTERS" in APPENDIX A hereto.

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

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

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Amounts in Millions of USD[1]

Fiscal Year Ending June 30,	Debt Service on the 2019 Bonds (A)	Current Debt Service on General Obligation Debt[3], [4] (B)	Current Debt Service on all other General Fund-Supported Debt[2], [5], [6], [7] (C)	Aggregate Debt Service on all General Fund-Supported Debt (A+B+C)
2020	$4.0	$52.3	$210.8	$267.0
2021	17.3	169.2	216.9	403.5
2022	17.6	168.8	217.0	403.3
2023	17.5	169.7	217.0	404.2
2024	17.5	169.5	215.7	402.8
2025	17.5	169.3	215.8	402.6
2026	17.5	161.8	215.0	394.2
2027	17.4	161.5	211.0	390.0
2028	17.4	161.9	214.0	393.3
2029	17.4	133.0	297.9	448.3
2030	17.3	145.2	75.6	238.1
2031	17.3	146.0	75.6	238.9
2032	-	146.1	50.1	196.2
2033	-	109.5	41.7	151.2
2034	-	95.2	41.7	136.9
2035	-	79.1	41.7	120.8
2036	-	79.1	41.7	120.8
2037	-	64.2	41.7	105.9
2038	-	64.3	41.7	106.0
2039	-	44.5	29.8	74.3
2040	-	8.5	20.0	28.5
2041	-	8.5	20.0	28.5
2042	-	8.5	20.0	28.5
2043	-	-	20.0	20.0
2044	-	-	20.0	20.0
2045	-	-	15.9	15.9
2046	-	-	15.9	15.9
2047	-	-	15.9	15.9
2048	-	-	-	-
2049	-	-	-	-
TOTALS	**$195.8**	**$2,515.7**	**$2,860.0**	**$5,571.4**

(1) Does not include (a) debt service on PICA Bonds, (b) debt service on the City's revenue bonds or notes, which include Water and Wastewater Revenue Bonds, Gas Works Revenue Bonds, and Airport Revenue Bonds, (c) debt service on the City's tax and revenue anticipation notes (none of which are currently outstanding), or (d) letter of credit fees.

(2) Reflects the refunding of the Refunded Bonds. The interest calculation included in this column with respect to certain variable rate bonds assumes a "synthetic fixed rate" of interest, calculated on a semi-annual basis with a 30/360 day count. The Authority issued the 2007B-2 Bonds as variable rate demand obligations and entered into the Swap Agreements with the Counterparties, pursuant to which the Counterparties are required to pay an amount based on the SIFMA Index, and the Authority is required to pay the fixed rate set forth in the Swap Agreements. The Authority is responsible for all interest on the 2007B-2 Bonds (including interest in excess of the amounts paid by the Counterparties).

(3) Includes both Tax-Supported Debt and Self-Supporting Debt. See "FISCAL YEAR DEBT SERVICE REQUIREMENTS."

(4) Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate.

(5) Includes bonds of the Authority, PMA, PPA, and PRA, 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. For capital appreciation bonds, only actual amounts payable are included.

(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).

(7) 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.

(8) Totals may not add due to rounding.

NO LITIGATION

The Authority

There is no controversy or litigation of any nature now pending or threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of, or the Authority's obligations with respect to, the 2019 Bonds or contesting any proceedings of the Authority with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the 2019 Bonds or the existence or powers of the Authority or the validity or enforceability of the Resolution, the 2019 Bonds, the Indenture, or the Security Leases.

The City

Upon delivery of the 2019 Bonds, the City of Philadelphia Law Department (the "Law Department") shall furnish an opinion to the effect, among other things, that, except for litigation, other legal proceedings, or threats thereof which, in the opinion of the Law Department, are 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 2018 CAFR, "Contingencies – Primary Government – Claims and Litigation" in APPENDIX C hereto), there is no litigation or other legal proceeding pending in any court or, to the best of its knowledge after inquiry within the Law Department, threatened in writing against the City, (i) seeking to restrain or enjoin the issuance, execution, delivery, or sale of the 2019 Bonds or the execution or delivery of the Eighth Supplemental Indenture, or the performance of the City's obligations under the Indenture or the Security Leases, (ii) contesting the validity of the Ordinances, (iii) contesting the validity or enforceability of the City's obligations under the 2019 Bonds, the Indenture, or the Security Leases, (iv) challenging the right of any City official who signs or has signed the Security Leases or the Official Statement to hold his or her office, or (v) in which a final adverse decision can be anticipated which would reasonably be expected to materially and adversely affect the financial condition or operations of the City as a whole or the performance by the City of its obligations under the 2019 Bonds, the Indenture, or the Security Leases.

RATINGS

Fitch Ratings, Inc., Moody's Investors Service, Inc., and S&P Global Ratings, a division of S&P Global Inc., have assigned the 2019 Bonds ratings of "A-" with a Positive outlook, "A2" with a Stable outlook, and "A" with a Stable outlook, respectively. Such ratings, including the outlook, reflect only the view of each such credit rating agency. An explanation of the significance of each of such ratings and any outlook may only be obtained from the rating agency furnishing the same.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance that any such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such credit rating agency if, in its judgment, circumstances so warrant. None of the Authority, the City, or the Underwriters has undertaken any responsibility to assure the maintenance of any rating. The City has agreed, in the Continuing Disclosure Agreement, to report actual rating changes on the 2019 Bonds. See "CONTINUING DISCLOSURE UNDERTAKING" herein and APPENDIX F hereto. Any downgrade, revision or withdrawal of a rating may have an adverse effect on the market price of or the market for the 2019 Bonds.

APPROVAL OF LEGAL MATTERS

The 2019 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters, subject to the receipt of approving opinions with respect to certain legal matters of Cozen O'Connor and Ahmad Zaffarese LLC, Co-Bond Counsel, both of Philadelphia, Pennsylvania. The proposed form of approving opinion of Co-Bond Counsel is attached hereto as APPENDIX E. Certain legal matters will be passed upon for the Authority by Philip Brandt, Esq., Authority Counsel, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department. Hawkins Delafield & Wood LLP and the Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, as Co-Disclosure Counsel to the City, will each deliver an opinion to the City and the Underwriters regarding certain matters.

The various legal opinions to be delivered concurrently with the delivery of the 2019 Bonds express the professional judgment of the law firms rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the law firm does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Federal Tax Exemption

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2019 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2019 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority and the City subsequent to the issuance and delivery of the 2019 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority and the City have covenanted to comply with such requirements.

In the opinion of Co-Bond Counsel, interest on the 2019 Bonds will be excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. Interest on the 2019 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax.

The opinion of Co-Bond Counsel assumes the accuracy of the representations and certifications of the Authority and the City and is subject to a number of qualifications and limitations, including the condition that the Authority and the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2019 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2019 Bonds to be includable in gross income retroactive to the date of issuance of the 2019 Bonds. The Authority and the City have covenanted to comply with all such requirements.

In addition to the matters addressed above, prospective purchasers of the 2019 Bonds should be aware that ownership of the 2019 Bonds may result in collateral tax consequences to certain taxpayers, including but not limited to, foreign corporations, certain S corporations, financial institutions, recipients of social security and railroad retirement benefits, and property or casualty insurance companies.

Original Issue Premium. The 2019 Bonds (the "Premium Bonds"), have been sold with original issue premium. An amount equal to the excess of the initial public offering price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles. The amount of amortized bond premium (i) reduces the holder's basis in the Premium Bond for purposes of determining gain or loss for federal income tax purposes upon the sale or other disposition of the Premium Bond and (ii) is not allowed as a deduction for federal income tax purposes to the holder. **Purchasers of any Premium Bonds, whether at the time of the initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium.**

No assurances can be given that amendments to the Code or other federal legislation will not be introduced and/or enacted which would cause interest on the 2019 Bonds to be subject, directly or indirectly, to Federal income taxation or adversely affect the market price of the 2019 Bonds or otherwise prevent the holders of the 2019 Bonds from realizing the full current benefit of the federal tax status of the interest thereon.

State Tax Exemption

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth, as enacted and construed on the date hereof, the interest on the 2019 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2019 Bonds.

This summary is based on laws, regulations, rulings, and decisions now in effect, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary. **Prospective purchasers should consult their tax advisors about the consequences of purchasing or holding the 2019 Bonds.**

VERIFICATION

American Municipal Tax-Exempt Compliance Corporation (the "Verification Agent") will deliver to the City, on or before the date of the delivery of the 2019 Bonds, its report (the "Verification Report") indicating that it has verified the mathematical accuracy of the information provided by the City and its representatives with respect to the refunding requirements of certain of the Refunded Bonds. Included within the scope of its engagement will be a verification of the mathematical accuracy of the computations of the adequacy of the cash to be placed in an escrow account to meet the payment of the redemption price of certain of the Refunded Bonds, together with accrued interest thereon, on the date fixed for the redemption as further described in "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" above.

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

UNDERWRITING

The 2019 Bonds are being purchased by the Underwriters named on the cover page of this Official Statement (the "Underwriters"), for whom RBC Capital Markets, LLC is acting as the representative (the "Representative"), subject to certain terms and conditions set forth in a Bond Purchase Agreement between the Authority and the Representative, on behalf of the Underwriters.

The 2019 Bonds are being purchased at a purchase price of $176,354,784.94, which reflects the par amount of the 2019 Bonds, plus original issue premium of $29,337,753.30, less an Underwriters' discount of $597,968.36.

The 2019 Bonds are offered for sale to the public at prices set forth on the inside front cover page of this Official Statement. The 2019 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2019 Bonds into investment trusts) at prices lower than such offering prices, and such public offering prices may be changed from time to time by the Underwriters without prior notice.

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

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

Citigroup Global Markets Inc., an Underwriter of the 2019 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts with respect to the 2019 Bonds.

Stern Brothers & Co. ("Stern"), an Underwriter of the 2019 Bonds, has entered into dealer agreements (the "Stern Agreements") each with 280 Securities LLC ("280"), Herbert J. Sims ("HJ Sims") and BNY Mellon Capital Markets, LLC ("BNYMCM") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Stern Agreements, each or either of 280, HJ Sims and BNYMCM may purchase the 2019 Bonds from Stern at the original issue price less a negotiated portion of the selling concession applicable to any of the 2019 Bonds that such firm sells.

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 2019 Bonds. The Financial Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2019 Bonds. They have received and reviewed but have not independently verified information in this Official Statement for accuracy or completeness (except, as to each Financial Advisor, the information in this section). Investors should not draw any conclusions as to the suitability of the 2019 Bonds from, or base any investment decisions upon, the fact that the Financial Advisors have advised the City with respect to the 2019 Bonds. The Financial Advisors' fees for this issue are contingent upon the sale and issuance of the 2019 Bonds.

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

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the Underwriters in complying with the requirements of Rule l5c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City (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 2019 Bonds, to be dated the date of original delivery of and payment for the 2019 Bonds, the form of which is annexed hereto as APPENDIX F, and (ii) has provided the disclosure in the following paragraphs.

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

CERTAIN RELATIONSHIPS

Cozen O'Connor has provided certain legal services to the City related to the issuance and sale of the 2019 Bonds, and also provides legal services to the City and the Authority in matters unrelated to the issuance and sale of the 2019 Bonds. A member of Cozen O'Connor sits on the board of directors of an affiliate of the Authority.

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

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MISCELLANEOUS

This Official Statement is made available only in connection with the sale of the 2019 Bonds and may not be used in whole or in part for any other purpose. This Official Statement is not to be construed as a contract or agreement between the Authority, the City, the Underwriters, and the purchasers or owners of any of the 2019 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any opinions or estimates herein will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof.

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

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

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

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PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT

By: /s/ Evelyn F. Smalls
Name: Evelyn F. Smalls
Title: Chairperson

Approved:

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 anticipated fiscal challenges over the course of the Twenty-Eighth Five-Year Plan (as defined herein), which are described below. Such plan covers Fiscal Years 2020-2024.

General Fund Reserves: For Fiscal Year 2020, the City's projected General Fund balance available for appropriation is $209.9 million, or approximately 4% of projected expenditures. The Mayor's current target for the General Fund balance is 6-8% of expenditures. Over the course of the Twenty-Eighth Five-Year Plan, the City's projected General Fund balance averages approximately $167.4 million per Fiscal Year (as defined herein), with a low of $128.9 million in Fiscal Year 2022. These projected General Fund balances incorporate budgeted amounts for the federal and state budget reserve and contributions to the Budget Stabilization Reserve (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-Eighth Five-Year Plan are not projected to reach the City's 6-8% goal. If the City is successful in funding the Budget Stabilization Reserve as planned and does not use amounts included in the federal and state budget reserve, the City's overall reserve balances, inclusive of its General Fund and the Budget Stabilization Reserve, will increase as a percentage of expenditures.

For more information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2019-2024, 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 has made a deposit of $34.3 million to the Budget Stabilization Reserve (as defined herein), pursuant to the Fiscal Year 2020 Adopted Budget (as defined herein). In addition to the Fiscal

Year 2020 deposit, the City projects the following deposits to be made to the Budget Stabilization Reserve over the course of the Twenty-Eighth Five-Year Plan: (i) $35.1 million (Fiscal Year 2021), (ii) $36.1 million (Fiscal Year 2022), (iii) $37.2 million (Fiscal Year 2023), and (iv) $38.2 million (Fiscal Year 2024).

For more information on the Budget Stabilization Reserve, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Stabilization Reserve" herein.

Federal and State Budget Reserve: To continue mitigating against potential state and federal cuts in funds provided to the City, the Fiscal Year 2020 Adopted Budget sets aside $55.1 million in a federal and state budget reserve. The Twenty-Eighth Five-Year Plan continues funding such a reserve through Fiscal Year 2024. Although this reserve would help to offset any such cuts, it represents only a small fraction of what the City projects to receive in grants from the state and federal governments in Fiscal Years 2020-2024. Accordingly, if potential cuts exceed the amount in the reserve, it could require the City to make difficult decisions about what to continue funding. If potential cuts in any Fiscal Year are less than the reserve amount established for such year, the difference would increase the General Fund balance at the end of such year unless the City uses the funds in such reserve for other purposes. Based on the current estimate for Fiscal Year 2019, $53.6 million has been budgeted for the federal and state funding reserve. The City has not utilized such funds for Fiscal Year 2019, and expects any remaining balance in the reserve to be included in the General Fund balance for such Fiscal Year.

Labor Reserve: While all of the City's unions are covered by bargaining agreements through June 30, 2020, the Twenty-Eighth Five-Year Plan includes a labor reserve for potential future labor cost increases once such agreements expire. As such, the Twenty-Eighth Five-Year Plan includes labor reserves of (i) $20 million (Fiscal Year 2021), (ii) $30 million (Fiscal Year 2022), (iii) $40 million (Fiscal Year 2023), and (iv) $50 million (Fiscal Year 2024).

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, Business Income and Receipts 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 13.7% of the City's local tax revenue in Fiscal Year 2020 (based on projections included in the Fiscal Year 2020 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. Pension costs are budgeted to consume approximately 15% of the Fiscal Year 2020 Adopted Budget, with a City pension cost of approximately $749.1 million (from the General Fund). Even with such large payments, the Municipal Pension Fund is under 50% funded. See "PENSION SYSTEM" herein.

Increased Funding for the School District: In the Fiscal Year 2020 Adopted Budget, the City's direct contribution to The School District of Philadelphia (the "School District") from the General Fund is $222.5 million in Fiscal Year 2020, an amount $36.7 million higher than the current estimate for Fiscal Year 2019 ($185.8 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 increases in pension costs, (ii) the possibility of an economic downturn, (iii) 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), (iv) possible decreases in federal and state spending, (v) potential increases in labor costs under future labor agreements (as noted above, the City's unions are covered by bargaining agreements through June 30, 2020), and (vi) 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 (referred to as the "Parkway" in APPENDIX B) includes the Philadelphia Museum of Art, the Barnes Foundation, and the Rodin Museum. The Avenue of the Arts, located along a mile-long section of South Broad Street between City Hall and Washington Avenue, includes the Kimmel Center, the Academy of Music, and other performing arts venues. All of the foregoing are key tourist attractions in the City.

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

History and Organization

The City was incorporated in 1789 by an Act of the General Assembly of the Commonwealth (the "General Assembly") (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1682). In 1854, the General Assembly, by an act commonly referred to as the Consolidation Act: (i) made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County");

(ii) abolished all governments within these boundaries other than the City and the County; and (iii) consolidated the legislative functions of the City and the County. Article 9, Section 13 of the Pennsylvania Constitution abolished all county offices in the City, provides that the City performs all functions of county government, and states that laws applicable to counties apply to the City.

Since 1952, the City has been governed under a Home Rule Charter authorized by the General Assembly 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.

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

Under the City Charter, the principal officers of the City's government are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), the City Solicitor (the "City Solicitor"), the Director of Commerce (the "Director of Commerce"), 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 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. For information on the Water and Wastewater Systems, see APPENDIX B – "KEY CITY-RELATED SERVICES AND BUSINESSES – Water and Wastewater." For information on the Airport System, see APPENDIX B – "TRANSPORTATION – Airport System."

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

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. For more information on the PLB, see APPENDIX B – "ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – City and Quasi-City Economic Development Agencies and Related Programs – Philadelphia Land Bank."

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. For more information on PHA, see APPENDIX B – "ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – City and Quasi-City Economic Development Agencies and Related Programs – The Philadelphia Housing Authority."

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

Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

Southeastern Pennsylvania Transportation Authority. The Southeastern Pennsylvania Transportation Authority ("SEPTA"), which is supported by transit revenues and federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region. Two of the 15 members of SEPTA's board are appointed by the Mayor and confirmed by City Council. SEPTA is not a department or agency of the City. For more information on SEPTA, see "EXPENDITURES OF THE CITY – City Payments to SEPTA" and APPENDIX B – "TRANSPORTATION – Southeastern Pennsylvania Transportation Authority (SEPTA)."

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

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 City's CAFR for Fiscal Year 2018 (the " Fiscal Year 2018 CAFR"), the City reported that its direct contribution to the School District from the General Fund was $104.3 million in Fiscal Year 2018, not including funding from taxes levied by the School District and authorized by City Council. 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, an amount $36.7 million higher than the current estimate for Fiscal Year 2019 ($185.8 million). 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. See "DEBT OF THE CITY – PICA Bonds" for the current final stated maturities of outstanding PICA Bonds. As of August 31, 2019, the principal amount of PICA Bonds outstanding was $129,745,000; the final maturity date for such PICA Bonds is June 15, 2023. Such final maturity of the PICA Bonds would occur prior to the final maturity of the 2019 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 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 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 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 facilities are moderately vulnerable. Hundreds of additional facilities 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 requires new facilities located in flood zones to be raised 18 inches above FEMA base flood elevation, and the Philadelphia 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 2018 CAFR and notes therein. The Fiscal Year 2018 CAFR was prepared by the Office of the Director of Finance in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units.

General

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

Imposed non-exchange revenues, such as real estate taxes, are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, 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 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 2018 CAFR was filed with the MSRB on February 25, 2019, through the MSRB's EMMA system. The Fiscal Year 2018 CAFR is attached hereto as APPENDIX C.

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 2018 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 2018 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.

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

The City maintains 22 individual governmental funds. The City's CAFRs, including the Fiscal Year 2018 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 2018 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 2020 operating budget ordinance was presented to City Council on March 7, 2019, approved by City Council on June 13, 2019, and signed by the Mayor on June 18, 2019. There is no practical consequence to adopting the budget ordinances after the deadline in the City Charter, but before the end of the Fiscal Year.

The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. The Capital Program ordinance for Fiscal Years 2020-2025 (the "Fiscal Year 2020-2025 Adopted Capital Program") was approved by City Council on June 13, 2019, and signed by the Mayor on June 18, 2019.

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 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.

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 2018 was released on October 26, 2018. The Fiscal Year 2018 CAFR was filed with the Municipal Securities Rulemaking Board ("MSRB") on February 25, 2019, through the MSRB's Electronic Municipal Market Access ("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-Seventh Five-Year Plan and the Twenty-Eighth Five-Year Plan, see "– Current Financial Information –

Fiscal Year 2019 Adopted Budget and Twenty-Seventh Five-Year Plan" and "– Fiscal Year 2020 Adopted Budget and Twenty-Eighth Five-Year Plan."

Quarterly Reporting to PICA

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

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

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

PICA last declared a variance in February 2009. 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, 2019, which was released on August 15, 2019 (the "FY 2019 Fourth Quarter QCMR"). The next Quarterly City Manager's Report is the report for the period ending September 30, 2019, and it is expected to be released on or about November 15, 2019.

Summary of Operations

The following table presents the summary of operations for the General Fund for Fiscal Years 2016-2018, budgeted amounts and current estimates for Fiscal Year 2019, and budgeted amounts for Fiscal Year 2020. 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 2019, which were released by the City on August 15, 2019 as part of the FY 2019 Fourth Quarter QCMR.

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Table 1
General Fund
Summary of Operations (Legal Basis)
Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)
(Amounts in Millions of USD)[1], [2]

	Actual 2016	Actual 2017	Actual 2018	Adopted Budget 2019 (June 21, 2018)	Current Estimate 2019 (August 15, 2019)	Adopted Budget 2020 (June 18, 2019)
Revenues						
Real Property Taxes	$571.6	$587.1	$650.4	$669.1	$689.4	$690.9
Wage and Earnings Tax	1,373.0	1,448.9	1,542.3	1,588.6	1,566.3	1,633.7
Net Profits Tax	25.4	22.3	32.3	31.2	36.6	38.2
Business Income and Receipts Tax	474.2	417.5	446.1	425.2	503.3	497.3
Sales Tax[3]	169.4	188.4	198.4	216.5	215.2	227.9
Other Taxes[4]	353.0	367.7	454.9	437.1	464.9	472.6
Philadelphia Beverage Tax[5]	0.0	39.5	77.4	78.0	76.6	75.9
Total Taxes	2,966.6	3,071.4	3,401.8	3,445.7	3,552.3	3,636.5
Locally Generated Non-Tax Revenue	291.0	309.5	320.6	291.7	325.6	353.3
Revenue from Other Governments						
Net PICA Taxes Remitted to the City[6]	383.4	409.5	454.2	469.0	474.7	499.3
Other Revenue from Other Governments[7]	305.6	307.7	323.9	337.5	316.7	347.9
Total Revenue from Other Governments	689.1	717.2	778.2	806.4	791.4	847.2
Receipts from Other City Funds	42.3	60.1	55.4	73.1	72.9	81.0
Total Revenue	3,989.0	4,158.2	4,556.1	4,616.9	4,742.1	4,918.0
Obligations/Appropriations						
Personal Services	1,562.6	1,589.0	1,690.1	1,738.4	1,771.5	1,820.1
Purchase of Services[8]	822.2	851.4	891.1	951.7	955.8	1,001.3
Materials, Supplies and Equipment	92.1	94.4	102.2	114.4	123.2	123.7
Employee Benefits	1,181.3[11]	1,241.0[11]	1,314.0[11]	1,360.2[11]	1,378.0[11]	1,412.0[11]
Indemnities, Contributions, and Refunds[9]	192.7	186.6	195.2	282.2	287.0	322.4
City Debt Service[10]	132.1	140.9	148.8	169.5	169.5	187.5
Payments to Other City Funds	32.8	36.5	61.5	38.1	94.2	68.9
Advances & Miscellaneous Payments / Labor Reserve	0.0	0.0	0.0	16.4[12]	0.0[12]	0.0[12]
Advances & Miscellaneous Payments / Federal and State Funding Reserve	0.0	0.0	0.0	54.6[12]	53.6[12]	55.1[12]
Payment to Budget Stabilization Reserve	0.0	0.0	0.0	0.0	0.0	34.3
Total Obligations/Appropriations	4,015.8	4,139.8	4,402.9	4,725.5	4,832.7	5,025.3
Operating Surplus (Deficit) for the Year	(26.8)	18.4	153.2	(108.6)	(90.6)	(107.3)
Net Adjustments – Prior Year	23.6	22.5	26.3	19.5	19.5	19.5
Cumulative Fund Balance Prior Year	151.5	148.3	189.2	228.5[13]	368.8[13]	297.7
Cumulative Adjusted Year End Fund Balance (Deficit)	$148.3	$189.2	$368.8[13]	$139.5	$297.7	$209.9

(1) Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019 (Adopted Budget), the Fiscal Year 2019 Adopted Budget. For Fiscal Year 2019 (Current Estimate), the FY 2019 Fourth Quarter QCMR. For Fiscal Year 2020 (Adopted Budget), the Fiscal Year 2020 Adopted Budget.

(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 2016, includes $9.7 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2017, includes $19.2 million from such 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 (Adopted Budget), assumes $48.3 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2019 (Current Estimate), assumes $47.6 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2020 (Adopted Budget), assumes $53.9 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

(12) The Labor Reserve is set aside for labor-related costs, including costs related to labor agreements with certain of the City's municipal unions, among other things. See "EXPENDITURES OF THE CITY – Overview of City Employees." The Federal and State Funding Reserve is set aside to address certain funding that may become unavailable as a result of cuts in the federal or state budget or the implementation of other federal or state policies that may affect such funding for the City. Any portion of such reserves that is not used to offset labor-related costs or costs related to cuts in federal or state funding, as applicable, will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

(13) In its Fiscal Year 2019 Adopted Budget, the City projected that Fiscal Year 2018 would end with a General Fund balance of $228.5 million. In the Fiscal Year 2018 CAFR, the City reported that Fiscal Year 2018 ended with a General Fund balance of $368.8 million. Such number has been included as the "Cumulative Fund Balance Prior Year" in the FY 2019 Fourth Quarter QCMR.

Current Financial Information

Table 2 below shows General Fund balances for Fiscal Year 2018, budgeted amounts and current estimates for Fiscal Year 2019, and budgeted amounts for Fiscal Year 2020.

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

	Fiscal Year 2018 Actual[2] (June 30, 2018)	Fiscal Year 2019 Adopted Budget[2] (June 21, 2018)	Fiscal Year 2019 Current Estimate[2] (August 15, 2019)	Fiscal Year 2020 Adopted Budget[2] (June 18, 2019)
REVENUES				
Taxes	$3,401,829[3]	$3,445,678[3]	$3,552,256[3]	$3,636,492[3]
Locally Generated Non – Tax Revenues	320,644	291,684	325,585	353,328
Revenue from Other Governments	778,153	806,439	791,352	847,172
Revenues from Other Funds of City	55,436	73,108	72,916	81,011
Total Revenue	**$4,556,062**	**$4,616,909**	**$4,742,109**	**$4,918,003**
OBLIGATIONS / APPROPRIATIONS				
Personal Services	$1,690,081	$1,738,441	$1,771,525	$1,820,084
Personal Services – Employee Benefits	1,314,021[4]	1,360,238[4]	1,377,965[4]	1,411,963[4]
Purchase of Services[5]	891,074	951,665	955,793	1,001,325
Materials, Supplies, and Equipment	102,191	114,356	123,211	123,682
Contributions, Indemnities, and Taxes	195,197	282,185	286,985	322,432
Debt Service[6]	148,795	169,496	169,496	187,483
Payments to Other Funds	61,495	38,096	94,178	68,913
Advances & Miscellaneous Payments	0	71,020[7]	53,573[7]	55,108[7]
Payment to Budget Stabilization Reserve	0	0	0	34,276
Total Obligations / Appropriations	**$4,402,854**	**$4,725,497**	**$4,832,726**	**$5,025,266**
Operating Surplus (Deficit)	**153,208**	**(108,588)**	**(90,617)**	**(107,263)**
OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS				
Net Adjustments – Prior Years	26,331	19,500	19,500	19,500
Operating Surplus/(Deficit) & Prior Year Adj.	179,539	(89,088)	(71,117)	(87,763)
Prior Year Fund Balance	189,243	228,545[8]	368,783[8]	297,666
Year End Fund Balance	**$368,783**[9]	**$139,457**	**$297,666**	**$209,903**

(1) Figures may not sum due to rounding.

(2) Sources: For Fiscal Year 2018, the Fiscal Year 2018 CAFR. For Fiscal Year 2019 Adopted Budget, the Fiscal Year 2019 Adopted Budget. For Fiscal Year 2019 Current Estimate, the FY 2019 Fourth Quarter QCMR. For Fiscal Year 2020 Adopted Budget, the Fiscal Year 2020 Adopted Budget.

(3) For Fiscal Year 2018, includes $77.4 million in revenue from the Philadelphia Beverage Tax. For Fiscal Year 2019 Adopted Budget, assumes $78.0 million in revenue from such tax. For Fiscal Year 2019 Current Estimate, assumes $76.6 million in revenue from such tax. For Fiscal Year 2020 Adopted Budget, assumes $75.9 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 2018, includes $24.2 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2019 Adopted Budget, assumes $48.3 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2019 (Current Estimate), assumes $47.6 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. 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) Advances & Miscellaneous Payments includes funds set aside in the Labor Reserve and the Federal and State Funding Reserve, as applicable. The Labor Reserve is set aside for labor-related costs, including costs related to labor agreements with certain of the City's municipal unions, among other things. See "EXPENDITURES OF THE CITY – Overview of City Employees." The Federal and State Funding Reserve is set aside to address certain funding that may become unavailable as a result of cuts in the federal or state budget or the implementation of other federal or state policies that may affect such funding for the City. The Fiscal Year 2019 Adopted Budget includes (i) $16.4 million for the Labor Reserve, and (ii) $54.6 million for the Federal and State Funding Reserve, while the FY 2019 Fourth Quarter QCMR estimates $0.0 million and $53.6 million for such reserves for Fiscal Year 2019, respectively. The Fiscal Year 2020 Adopted Budget includes (i) $0.0 million for the Labor Reserve, and (ii) $55.1 million for the Federal and State Funding Reserve, respectively. Any portion of such reserves that is not used to offset labor-related costs or costs related to cuts in federal or state funding, as applicable, will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

(8) In its Fiscal Year 2019 Adopted Budget, the City projected that Fiscal Year 2018 would end with a General Fund balance of $228.545 million. In the Fiscal Year 2018 CAFR, the City reported that Fiscal Year 2018 ended with a General Fund balance of $368.783 million. Such number has been included as the "Prior Year Fund Balance" in the FY 2019 Fourth Quarter QCMR.

The following discussion of the Fiscal Year 2019 Adopted Budget, the Twenty-Seventh Five-Year Plan, the Fiscal Year 2020 Adopted Budget, the Twenty-Eighth Five-Year Plan, and FY 2019 Fourth Quarter QCMR, as applicable, is based, in part, on projections and forward-looking statements related to Fiscal Years 2019 and 2020. 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 2019 Adopted Budget and Twenty-Seventh Five-Year Plan. On March 1, 2018, the Mayor submitted his proposed Fiscal Year 2019 budget to City Council, along with the proposed five-year plan for Fiscal Years 2019-2023. On June 21, 2018, City Council approved the Fiscal Year 2019 operating budget ordinance, which was signed by the Mayor on June 21, 2018 (the "Fiscal Year 2019 Adopted Budget"). On June 26, 2018, the City submitted to PICA its FY 2019-2023 Five Year Financial Plan Per Council Approved Budget (the "Twenty-Seventh Five-Year Plan"). PICA approved the Twenty-Seventh Five-Year Plan on July 25, 2018. On November 23, 2018, the City submitted a letter to PICA, which revised the Twenty-Seventh Five-Year Plan. Such letter indicated that a collective bargaining reopener was concluded with AFSCME DC 33 (as defined herein), which resulted in an agreement by the City to contribute $28 million to AFSCME DC 33's health plan in Fiscal Years 2019 and 2020.

Fiscal Year 2019 Current Estimate. The current estimate for Fiscal Year 2019 is derived from information included in the FY 2019 Fourth Quarter QCMR. In the FY 2019 Fourth Quarter QCMR, the City estimates that it will end Fiscal Year 2019 with a General Fund balance (on the legally enacted basis) of approximately $297.7 million.

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 (the "Twenty-Eighth Five-Year Plan"). PICA approved such plan on July 16, 2019. PICA staff, in recommending that PICA approve the Twenty-Eighth Five-Year Plan, noted that the revenue and expenditure projections presented in the Twenty-Eighth 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-Eighth Five-Year Plan] is based on reasonable and appropriate assumptions, and year end fund balances are positive throughout the life of the [Twenty-Eighth Five-Year Plan], certain factors were identified that might present risks to the [Twenty-Eighth Five-Year Plan]." The PICA report identified such factors as: (i) the possibility of an economic recession over the period covered by the plan; (ii) the projected growth of the BIRT and the Real Property Transfer Tax; (iii) funding of the now locally controlled School District; and (iv) costs of funding increasing pension liabilities. 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) speculative revenues from sources such as locally generated non-tax revenue, revenue from other governments, and revenue from other funds; (c) real estate tax appeals; and (d) low projected General Fund balances, relative to the GFOA's recommended levels.

For Fiscal Years 2020-2024, the Twenty-Eighth Five-Year Plan projects that the City will end such Fiscal Years with General Fund balances (on the legally enacted basis) of approximately (i) $209.9 million (Fiscal Year 2020), (ii) $156.0 million (Fiscal Year 2021), (iii) $128.9 million (Fiscal Year 2022), (iv) $147.6 million (Fiscal Year 2023), and (v) $194.8 million (Fiscal Year 2024).

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 2016-2018, budgeted amounts and current estimates for Fiscal Year 2019, and budgeted amounts for Fiscal Year 2020. 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 2016 through 2018 are contained in the Fiscal Year 2018 CAFR.

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

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Table 3
General Fund Tax Revenues
Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)
(Amounts in Millions of USD) (1), (2), (3)

	Actual 2016	Actual 2017	Actual 2018	Adopted Budget 2019 (June 21, 2018)	Current Estimate 2019 (August 15, 2019)	Adopted Budget 2020 (June 18, 2019)
Real Property Taxes						
Current	$521.2	$542.9	$611.3	$630.7	$651.1	$653.4
Prior	50.4	44.2	39.1	38.3	38.3	37.6
Total	$571.6	$587.1	$650.4	$669.1	$689.4	$690.9
Wage and Earnings Tax[4]						
Current	$1,364.6	$1,440.6	$1,536.9	$1,580.3	$1,566.3	$1,628.3
Prior	8.4	8.3	5.4	8.3	0.0	5.4
Total	$1,373.0	$1,448.9	$1,542.3	$1,588.6	$1,566.3	$1,633.7
Business Taxes						
Business Income and Receipts Tax						
Current & Prior	$474.2	$417.5	$446.1	$425.2	$503.3	$497.3
Net Profits Tax						
Current	$23.3	$25.3	$27.6	$28.7	$31.9	$33.5
Prior	2.1	(3.0)	4.7	2.5	4.7	4.7
Subtotal Net Profits Tax	$25.4	$22.3	$32.3	$31.2	$36.6	$38.2
Total Business and Net Profits Taxes	$499.6	$439.8	$478.4	$456.4	$539.9	$535.6
Other Taxes						
Sales and Use Tax[5]	$169.4	$188.4	$198.4	$216.5	$215.2	$227.9
Amusement Tax	19.4	20.6	23.0	22.2	27.9	28.9
Real Property Transfer Tax	237.3	247.3	331.5	310.5	334.7	339.3
Parking Taxes	92.7	96.1	96.5	100.7	98.1	100.2
Other Taxes	3.6	3.8	4.0	3.7	4.2	4.2
Subtotal Other Taxes	$522.4	$556.1	$653.3	$653.6	$680.0	$700.5
Philadelphia Beverage Tax[6]	0.0	39.5	77.4	78.0	76.6	75.9
TOTAL TAXES	**$2,966.6**	**$3,071.4**	**$3,401.8**	**$3,445.7**	**$3,552.3**	**$3,636.5**

(1) Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019 (Adopted Budget), the Fiscal Year 2019 Adopted Budget. For Fiscal Year 2019 (Current Estimate), the FY 2019 Fourth Quarter QCMR. For Fiscal Year 2020 (Adopted Budget), the Fiscal Year 2020 Adopted Budget.
(2) See Table 7 in the Fiscal Year 2018 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 46% of all tax revenues in Fiscal Year 2018) 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 2016-2020, the annual wage, earnings and net profits tax receipts in Fiscal Years 2016-2018, the budgeted amount and current estimate of such receipts for Fiscal Year 2019, and the budgeted amount of such receipts for Fiscal Year 2020.

Table 4
Summary of Wage, Earnings and Net Profits Tax Rates and Receipts
Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (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)]
2016	3.9102%	3.4828%	$1,842.9 (Actual)
2017	3.9004%	3.4741%	$1,940.4 (Actual)
2018	3.8907%	3.4654%	$2,071.5 (Actual)
2019	3.8809%	3.4567%	$2,135.8 (Adopted Budget)
			$2,124.5 (Current Estimate)
2020	3.8712%	3.4481%	$2,218.0 (Adopted Budget)

(1) See Table 7 in the Fiscal Year 2018 CAFR for tax rates for Fiscal Years 2016-2018. See the Twenty-Eighth Five-Year Plan for tax rates for Fiscal Years 2019-2020.
(2) Includes PICA Tax. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.
(3) Sources: For Fiscal Years 2016-2018, 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 2019, the Fiscal Year 2019 Adopted Budget and the FY 2019 Fourth Quarter QCMR. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget and the Twenty-Eighth Five-Year Plan.

Commonwealth funding from gaming revenues is mandated by statute to be used to reduce the resident and nonresident wage tax rate. Gaming revenues have averaged approximately $86.3 million in Fiscal Years 2016-2018. For Fiscal Year 2019, the budgeted amount and current estimate of gaming revenues is $86.3 million. For Fiscal Year 2020, the budgeted amount of gaming revenues is $86.3 million. The wage tax rates in such Fiscal Years reflect a rate reduction due to these revenues.

See "– Other Tax Rate Changes" herein, for information regarding wage and earnings tax rate reductions under the Twenty-Eighth 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 under $3 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 to take effect in tax year 2014 with changes phasing in through tax year 2023. The following table provides a summary of BIRT rates for tax years 2012-2023. 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	6.15%
2022	1.415 mills	6.10%
2023	1.415 mills	6.00%

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 2023, the net income (profits) portion of the business tax is projected to reach 6.00%. 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. A discount of 1% is available for taxpayers who pay their Real Estate Taxes on or before the last day of February.

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 those large increases, the ordinance imposing the new Real Estate Tax rates included a homestead exemption of $30,000 for all primary residential owner-occupants. In the Fiscal Year 2019 Adopted Budget, the homestead exemption was increased from $30,000 to $40,000 of assessed value. 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.

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The Real Estate Tax rates for tax years 2015-2019 are set forth in Table 6 below:

Table 6
Real Estate Tax Rates and Allocations

Tax Year	City	School District	Total
2015	0.6018%	0.7382%	1.3400%
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%

For Fiscal Year 2018, the actual amount of Real Estate Tax revenue for the City was $611.3 million (excluding delinquent collections). For Fiscal Year 2019, the budgeted amount and current estimate of Real Estate Tax revenue for the City was $630.7 million (excluding delinquent collections) and $651.1 million (excluding delinquent collections), respectively. For Fiscal Year 2020, the budgeted amount of Real Estate Tax revenue for the City is $653.4 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 year 2019 and 2020 Real Estate Taxes.

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Table 7
Certified Property Values for Tax Years 2019 and 2020

Tax Year 2019

Category	Market Value(1)	Taxable Assessed Value	Exempt Assessed Value	Homestead	# of Properties
Single Family Residential	$76,337,497,802	$63,693,042,672	$6,543,259,457	$6,101,195,673	456,912
Multi-Family Residential (Apartments)(2)	28,194,802,390	21,211,968,649	6,767,586,691	215,247,050	41,682
Non-Residential(3)	55,366,091,000	28,318,047,365	27,017,571,335	30,472,300	37,096
Vacant Land	4,773,597,500	2,332,496,021	2,438,934,779	2,166,700	44,960
Total	**$164,671,988,692**	**$115,555,554,707**	**$42,767,352,262**	**$6,349,081,723**	**580,650**

[1] Assessment data current as of March 31, 2018.
[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 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	$8,256,145,528	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.

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 2020, OPA certified the market values on March 31, 2019). 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 in 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 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 Court calculated the total amount of these refunds at $48 million, with $14 million allocated to the City and $34 million allocated to the School District (such amounts may also be subject to post-judgment interest). The Common Pleas Court ruling has not been reduced to judgment and the City has filed post-verdict motions to challenge the ruling. The City will argue, inter alia, that the OPA assessments were consistent with prior law when they were made, and that the subsequent Pennsylvania Supreme Court decision on which plaintiffs relied could not be applied to retroactively invalidate the OPA assessments. 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 June 25, 2019, OPA has received 20,753 FLRs, with approximately 400 that have yet to be decided. As of such date, BRT has received approximately 9,700 formal appeals, with approximately 4,500 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 June 25, 2019, OPA has received 9,521 FLRs.

Review of Assessment Methodology. In January 2019, City Council, the Mayor's office, and the City Controller each released reports describing their respective reviews of OPA's assessment methodology and process. Each of the reports indicated that OPA's assessment methodology and processes could be more transparent and accurate.

The consultant engaged by the Mayor's office made a number of recommendations to improve OPA's assessment activities and the quality of assessments. Such recommendations include (i) reviewing all classifications of residential and non-residential properties, (ii) reviewing the assignment of construction grades and conditions codes for all residential properties, (iii) examining the reliability and consistency of commercial building grade and condition codes, (iv) maintaining flexibility provided by current valuation methods in the transition to the computer-assisted mass appraisal system program ("CAMA"), (v) hiring additional data analysis and property appraisal experts, (vi) improving and refining data collection and maintaining such data in the CAMA system, (vii) making valuation and assessment reports available on OPA's website, (viii) documenting and explaining the assessment and valuation process to the public, (ix) developing a plan and guidelines to implement the recommendations and reporting on progress to the Chief Assessment Officer, and (x) temporarily changing the assessment calendar while the recommendations and CAMA system are implemented. While the City is reviewing the foregoing recommendations and working with OPA to implement such recommendations as appropriate, the City will not implement item (x) as the assessment calendar is based on Commonwealth law.

The City Controller's report found that OPA met industry standards in a citywide ratio study for tax year 2019 and also recommended (a) addressing OPA assessments that are done on a geographical zone basis, which tend to overburden lower income neighborhoods in the City, (b) resolving land valuation non-uniformity, and (c) conducting annual reassessments on all properties to ensure that homeowners see smaller, incremental changes in their property assessment year-over-year, rather than the single-year increase seen in tax year 2019.

The City and OPA continue to review the recommendations contained in the foregoing reports and have begun implementing many of the recommendations. The City expects to continue working with OPA to implement additional recommendations, as appropriate.

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.

Real Estate Tax Tables. See Table 8 below for data with respect to Real Estate Taxes levied from 2014 to 2018 and collected by the City from January 1, 2014 to June 30, 2018. See Table 9 for the assessed property values of the City's principal taxable assessed parcels in 2019. See Table 10 for the 2019 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 2014-2018
(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]
2014	$553.2	$514.3	$482.1	93.7%	$27.4	$509.5	99.1%
2015	$547.4	$517.1	$489.1	94.6%	$23.8	$512.9	99.2%
2016	$569.9	$549.3	$525.2	95.6%	$16.2	$541.4	98.6%
2017	$580.5	$565.0	$542.9	96.1%	$9.8	$552.7	97.8%
2018	$658.1	$638.6	$589.5	N/A	N/A	$589.5	N/A

(1) Source: Fiscal Year 2018 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 2018, the data shown reflects collections through June 30, 2018. For earlier calendar years, the data shown reflects collections through December 31 of the respective year.

Table 9
Principal Taxable Assessed Parcels – 2019
(Amounts in Millions of USD)[1]

	2019	
Taxpayer	**Assessment[2]**	**Percentage of Total Assessments**
Liberty Property Phila	$347.7	0.30%
EQC Nine Penn Center Prop	341.1	0.30
NG 1500 Market St LLC	339.7	0.30
Phila Liberty Place LP	305.1	0.30
Park Towne Place Assoc	302.6	0.20
Commerce Square Partners	258.0	0.20
Maguire / Thomas Partners	244.7	0.20
Philadelphia Market Street	244.2	0.20
Brandywine Operating	229.0	0.20
401 North Broad Fee Inter	223.1	0.20
Total	$2,835.20	2.40%
Total Taxable Assessments[3]	$121,904.60	

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) Total 2019 Taxable Assessment as of March 31, 2018.

Table 10
Ten Largest Certified Market and Assessment Values of Tax-Abated Properties
Certified Values for 2019
(Amounts in Millions of USD)[(1), (2)]

Location	2019 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Through Tax Year
1001-99 Delaware Ave	$307.4	$307.4	$49.7	$257.70	2026
1800 Arch St	$270.0	$270.0	$27.0	$243.00	2027
401 N Broad St	$245.8	$245.8	$223.1	$22.70	2026
1801 John F Kennedy Blvd	$197.3	$197.3	$132.0	$65.40	2024
1500-30 Spring Garden St	$185.8	$185.8	$169.8	$15.90	2020
450 N 18th St	$144.2	$144.2	$14.4	$129.70	2027
2116 Chestnut St	$141.8	$141.8	$14.2	$127.60	2023
500 N 21st St	$132.1	$132.1	$13.2	$118.90	2026
1213-19 Walnut St	$128.9	$128.9	$12.9	$116.00	2027
1919-43 Market St	$125.0	$125.0	$12.5	$112.50	2026

Source: City of Philadelphia, Office of Property Assessment.
(1) Figures may not sum due to rounding.
(2) Certified Values as of 3/31/2018.

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 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

Table 11
Summary of City Sales Tax Collections
Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)
(Amounts in Millions of USD)[1]

Fiscal Year	City Sales Tax Collections
2016 (Actual)	$169.4[2]
2017 (Actual)	$188.4[2]
2018 (Actual)	$198.4[2]
2019 (Adopted Budget)	$216.5[3]
2019 (Current Estimate)	$215.2[3]
2020 (Adopted Budget)	$227.9[3]

(1) Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the FY 2019 Fourth Quarter QCMR. For Fiscal Year 2020, the Fiscal Year 2020 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 Twenty-Eighth Five-Year Plan (and for Fiscal Year 2019, the FY 2019 Fourth Quarter QCMR), the City projects for Fiscal Years 2019-2024 that it will collect approximately (i) $334.7 million (Fiscal Year 2019), (ii) $339.3 million (Fiscal Year 2020), (iii) $343.1 million (Fiscal Year 2021), (iv) $357.4 million (Fiscal Year 2022), (v) $370.6 million (Fiscal Year 2023), and (vi) $353.6 million (Fiscal Year 2024) 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 are projected to return to a more moderate level, with a reduction in revenue estimated in Fiscal Year 2019, and 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 2018 CAFR, the City reported that it collected approximately $77.4 million in revenues from the Philadelphia Beverage Tax for Fiscal Year 2018.

In the Twenty-Eighth Five-Year Plan (and for Fiscal Year 2019, the FY 2019 Fourth Quarter QCMR), the City projects for Fiscal Years 2019-2024 that it will collect approximately (i) $76.6 million (Fiscal Year 2019), (ii) $75.9 million (Fiscal Year 2020), (iii) $75.1 million (Fiscal Year 2021), (iv) $74.4 million (Fiscal Year 2022), (v) $73.6 million (Fiscal Year 2023), and (vi) $72.9 million (Fiscal Year 2024) 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 been working on two projects – one to implement technology solutions for its cashiering and payments processing systems (completed) and another to develop an integrated data warehouse and case management system (ongoing). These initiatives are designed to improve operational efficiencies and drive compliance efforts by providing tools currently unavailable to the City.

Other Locally Generated Non-Tax Revenues

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

Revenue from Other Governments

The following table presents revenues received from other governmental jurisdictions for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, the budgeted amount for Fiscal Year 2020, 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 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (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
2016 (Actual)	$223.7	$29.7	$52.3	$305.6	7.7%
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 (Adopted Budget)	$231.1	$43.1	$63.3	$337.5	7.3%
2019 (Current Estimate)	$221.5	$32.8	$62.4	$316.7	6.7%
2020 (Adopted Budget)	$235.7	$45.8	$66.4	$347.9	7.1%

(1) Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 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 Philadelphia Water Department (the "Water Department") are required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (i) all Net Reserve Earnings and (ii) $4,994,000. "Net Reserve Earnings" means the amount of interest earnings during the Fiscal Year on amounts in the Debt Reserve Account and Subordinated Bond Fund, each as defined in the Water Ordinance.

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The following table shows the amounts transferred from the Water Fund to the General Fund for Fiscal Years 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

Table 13

Transfers from Water Fund to General Fund (Excess Interest on Sinking Fund Reserve)
Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)[(1), (2)]

Fiscal Year	Amount Transferred
2016 (Actual)	$1,555,702
2017 (Actual)	$1,866,455
2018 (Actual)	$1,627,838
2019 (Adopted Budget and Current Estimate)	$1,500,000
2020 (Adopted Budget)	$1,500,000

(1) Sources: For Fiscal Years 2015-2018, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 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 2018, the amount of such transfers was approximately $7.3 million. For Fiscal Year 2019, the City budgeted approximately $9.6 million for such transfers, while the current estimate for such transfers is approximately $7.5 million. Fiscal Year 2020, the City budgeted approximately $12.7 million for such transfers.

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 2020 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 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

Table 14
PPA On-Street Parking Payments to the City
Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)[(1), (2)]
(Amounts in Millions of USD)

Fiscal Year	Payments to the City
2016 (Actual)	$33.7
2017 (Actual)	$39.9
2018 (Actual)	$41.3
2019 (Adopted Budget)	$42.8
2019 (Current Estimate)	$41.8
2020 (Adopted Budget)	$45.8

(1) Sources: For Fiscal Years 2015-2018, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the FY 2019 Fourth Quarter QCMR. For Fiscal Year 2020, the Fiscal Year 2020 Adopted Budget.
(2) Table 14 shows City revenues; none of such payments is transferred to the School District.

Other Tax Rate Changes

The Twenty-Eighth Five-Year Plan includes reductions in both the resident and non-resident wage and earnings tax. The following table details rates under the Twenty-Eighth Five-Year Plan.

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

	Twenty-Eighth Five-Year Plan	
Fiscal Year	Resident Wage and Earnings Tax Rates[(2)]	Non-Resident Wage and Earnings Tax Rates
2019	3.8809%	3.4567%
2020	3.8712%	3.4481%
2021	3.8616%	3.4395%
2022	3.8519%	3.4309%
2023	3.8423%	3.4223%
2024	3.8327%	3.4137%

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

Under the Twenty-Eighth Five-Year Plan, receipts from the Wage and Earnings Tax are estimated to grow at a rate of 3.03% in Fiscal Year 2019, 4.30% in Fiscal Year 2020, 3.97% in Fiscal Year 2021, 3.84% in Fiscal Year 2022, 3.83% in Fiscal Year 2023, and 3.63% in Fiscal Year 2024.

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, 2019, the City employed 28,084 full-time employees, representing approximately 4.1% of employees in Philadelphia (approximately 682,034 employees, according to preliminary, non-seasonally adjusted data from the Bureau of Labor Statistics). Of the 28,084 full-time employees, the salaries of 22,210 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, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
General Fund					
Police	7,061	6,942	6,986	7,172	7,241
Fire	2,150	2,316	2,281	2,511	2,530
Courts	1,842	1,839	1,856	1,867	1,842
Prisons	2,286	2,289	2,277	2,177	2,130
Streets	1,664	1,676	1,702	1,738	1,736
Public Health	653	653	687	711	752
Human Services[(3)]	395	449	385	517	396
All Other	5,115	5,263	5,436	5,533	5,583
Total – General Fund	21,166	21,427	21,610	22,226	22,210
Other Funds	5,626	5,615	5,849	5,641	5,874
Total – All Funds	26,792	27,042	27,459	27,867	28,084

(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 June 25, 2019, the City had over 24,000 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 are covered by bargaining agreements through June 30, 2020. Each such agreement contains pension reform terms, as described in more detail in Table 18 below.

In July 2016, a collective bargaining agreement was reached with AFSCME DC 33, which provides for salary increases, lump sum payments for health care, and a one-time bonus, among other things. This collective bargaining agreement was ratified on August 19, 2016. In November 2018, a collective bargaining reopener was concluded with AFSCME DC 33, which resulted in an agreement by the City to contribute $28 million to AFSCME DC 33's health plan in Fiscal Years 2019 and 2020.

On June 30, 2017, the labor agreements for FOP Lodge No. 5, IAFF Local 22, and AFSCME DC 47 expired. On August 15, 2017, a labor arbitration panel awarded the FOP Lodge No. 5 Labor Contract, a new three-year contract, reflecting annual raises ranging from 3.25% to 3.75% and resulting in a projected aggregate cost to the City of approximately $247.22 million during Fiscal Years 2018-2022.

On March 13, 2018, an arbitration panel awarded a new three-year contract for the employees of the Philadelphia Sheriff's Office and Register of Wills, reflecting annual raises ranging from 2.5% to 3.0% for Register of Wills employees and 3.0% to 3.25% for Sheriff's Office employees and resulting in a projected aggregate cost to the City of approximately $13.46 million during Fiscal Years 2018-2023.

On March 19, 2018, an arbitration panel awarded a new three-year contract for the public safety employees represented by DC 33 Local 159 and DC 33 Local 1637, reflecting annual raises ranging from 3.0% to 3.25% and resulting in a projected aggregate cost to the City of approximately $50.28 million during Fiscal Years 2018-2023.

In May 2018, an arbitration panel awarded a new three-year contract for IAFF Local 22 (firefighters), reflecting annual raises ranging from 3.25% to 3.75% and resulting in a projected aggregate cost to the City of approximately $144.58 million during Fiscal Years 2018-2023.

In June 2018, a new three-year collective bargaining agreement was reached with AFSCME DC 47, reflecting annual raises ranging from 2.5% to 3.0% and resulting in a projected aggregate cost to the City of approximately $46.17 million during Fiscal Years 2018-2023.

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 2016 through 2020 are shown in the following table.

Table 17
General Fund Employee Benefit Expenditures
Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)
(Amounts in Millions of USD)[1]

	Actual 2016	Actual 2017	Actual 2018	Adopted Budget 2019	Current Estimate 2019	Adopted Budget 2020
Pension Costs[2]	$622.1[6]	$665.2[7]	$742.2[8]	$719.8[9]	$719.1[10]	$749.1[11]
Health[3]						
Payments under City-administered plan	72.5	83.8	81.6	98.3	102.0	90.0
Payments under union-administered plans	339.0	345.3	336.6	383.5	398.2	400.0
Total Health	411.5	429.1	418.2	481.8	500.2	490.0
Federal Insurance Contributions Act (FICA) Taxes[4]	71.7	75.1	80.4	78.6	78.6	84.5
Other[5]	76.0	71.5	72.9	80.1	80.1	88.4
Total	$1,181.3	$1,241.0	$1,314.0	$1,360.2	$1,378.0	$1,412.0

(1) Source: From the City's five-year financial plans, except for "Payments under City-administered plan" and "Payments under union-administered plans," which 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) This breakdown of "Health" between "Payments under City-administered plan" and "Payments under union-administered plans" is an estimate of actual expenses. The City records the actual health expenses in one line item, which corresponds to the figures in "Total Health."
(4) Includes payments of social security and Medicare taxes.
(5) Includes payments for unemployment compensation, employee disability, group life, group legal, tool allowance, and flex cash payments.
(6) Includes $9.7 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(7) Includes $19.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(8) Includes $24.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(9) Assumes $48.3 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(10) Assumes $47.6 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(11) Assumes $53.9 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 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. It also provides a brief summary of pension reforms that have occurred since 2016.

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)	6,646	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on August 15, 2017	• 3.25% pay increase for Fiscal Year 2018 • 3.50% pay increase for Fiscal Year 2019 • 3.75% pay increase for Fiscal Year 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)	370	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on March 13, 2018	Sheriff's Office employees: • 3.0% increase for Fiscal Year 2018 • 3.25% increase for Fiscal Year 2019 • 3.25% increase for Fiscal Year 2020 Register of Wills employees: • 3.0% increase for Fiscal Year 2018 • 2.5% increase for Fiscal Year 2019 • 3.0% increase for Fiscal Year 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $50,000 of earnings and a defined contribution pension for earnings above $50,000 • 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	2,609	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on May 17, 2018;	• 3.25% pay increase for Fiscal Year 2018 • 3.5% pay increase for Fiscal Year 2019 • 3.75 % pay increase for Fiscal Year 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	8,237	Four-year contract term effective July 1, 2016 through June 30, 2020 (ratified on August 19, 2016)	• 3.0% pay increase for Fiscal Year 2017 • 3.0% pay increase for Fiscal Year 2018 • 2.5% pay increase for Fiscal Year 2019 • 3.0% pay increase for Fiscal Year 2020.	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees 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 June 25, 2019.
(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	2,124	Three-year contract effective July 1, 2017 through June 30, 2020 awarded by arbitration panel on March 19, 2018	• 3.0% pay increase for Fiscal Year 2018 • 3.25% pay increase for Fiscal Year 2019 • 3.25% pay increase for Fiscal Year 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees 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	3,707	Contract term from July 1, 2017 through June 30, 2020 (ratified on June 20, 2018)	• 3.0% pay increase for Fiscal Year 2018 • 2.5% pay increase for Fiscal Year 2019 • 3.0% pay increase for Fiscal Year 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund (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	477	Agreement ratified July 27, 2018 on economic terms for July 1, 2017 through June 30, 2020	• 3.0% pay increase for Fiscal Year 2018 • 2.5% pay increase for Fiscal Year 2019 • 3.0% pay increase for Fiscal Year 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as 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 June 25, 2019.
(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, 2018 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) $50,000 (cap increases to $65,000 on 1/1/2019)	• (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 $18,000, 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 2016-2018, the budgeted amounts and current estimates for Fiscal Year 2019, and the budgeted amounts for Fiscal Year 2020.

Table 20
Purchase of Services in the General Fund
Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)
(Amounts in Millions of USD)[(1), (7)]

	Actual 2016	Actual 2017	Actual 2018	Adopted Budget 2019	Current Estimate 2019	Adopted Budget 2020
Human Services[(2)]	$75.3	$75.7	$76.3	$82.8	$82.8	$89.2
Public Health	64.9	70.7	72.7	92.9	74.9	90.2
Public Property[(3)]	155.0	158.5	157.4	162.2	162.7	172.5
Streets[(4)]	51.9	46.2	49.2	49.2	53.9	58.8
First Judicial District	17.7	12.1	13.5	8.5	8.5	8.5
Licenses & Inspections	10.4	12.0	11.6	13.6	13.9	14.4
Homeless Services[(5)]	37.1	38.0	39.2	43.6	47.3	50.0
Prisons	104.9	105.3	102.2	98.4	98.4	92.8
All Other[(6)]	305.0	332.9	369.0	400.7	413.4	424.7
Total	**$822.2**	**$851.4**	**$891.1**	**$951.7**	**$955.8**	**$1,001.3**

(1) For Fiscal Years 2016-2018, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the Twenty-Eighth Five-Year Plan. For Fiscal Year 2020, the Fiscal Year 2020 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 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

Table 21
City Payments to School District
Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)
(Amounts in Millions of USD)[1]

	Actual 2016	Actual 2017	Actual 2018	Adopted Budget 2019	Current Estimate 2019	Adopted Budget 2020
City Payments to School District	$104.2	$104.3	$104.3	$180.9	$185.8	$222.5

(1) Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the FY 2019 Fourth Quarter QCMR. For Fiscal Year 2020, the Fiscal Year 2020 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 2016-2018, the budgeted amount and current estimate for Fiscal Year 2019, and the budgeted amount for Fiscal Year 2020.

Table 22
City Payments to SEPTA
Fiscal Years 2016-2018 (Actual), 2019 (Adopted Budget and Current Estimate), and 2020 (Adopted Budget)
(Amounts in Millions of USD)[1]

	Actual 2016	Actual 2017	Actual 2018	Adopted Budget and Current Estimate 2019	Adopted Budget 2020
City Payment to SEPTA	$74.2	$79.7	$81.9	$84.6	$87.6

(1) Sources: For Fiscal Years 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Year 2019, the Fiscal Year 2019 Adopted Budget and the FY 2019 Fourth Quarter QCMR. For Fiscal Year 2020, the Fiscal Year 2020 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-Eighth Five-Year Plan projects annual operating subsidy payments to SEPTA from the City will increase to $101.9 million by Fiscal Year 2024. For more information on SEPTA, see APPENDIX B – "TRANSPORTATION – Southeastern Pennsylvania Transportation Authority (SEPTA)."

City Payments to Convention Center Authority

In connection with the financing of the expansion to the Pennsylvania Convention Center and the refinancing of debt for the original Pennsylvania Convention Center construction, the Commonwealth, the City, and the Convention Center Authority entered into an operating agreement in 2010 (the "Convention Center Operating Agreement"). The Convention Center Operating Agreement provides for the operation of the Convention Center by the Convention Center Authority and includes an annual 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 speak as of their respective dates, and are subject to changes, any of which could cause a significant change in the unfunded actuarial liability.

Overview

The City faces significant ongoing financial challenges in meeting its pension obligations, including an unfunded actuarial liability ("UAL") of approximately $6.1 billion as of July 1, 2018. In Fiscal Year 2018, the City's contribution to the Municipal Pension Fund was approximately $782.0 million, of which the General Fund's share (including the Commonwealth contribution) was $632.1 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 10.20% of the City's General Fund budget to approximately 15.21% of the General Fund budget from Fiscal Years 2009 to 2018. See Table 31. As reflected in the Funded Ratio chart following Table 28, 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 46.8% on July 1, 2018.

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

- The declines in the equity markets in 2000-2001 and in 2008-2009. See Table 24 and the Funded Ratio chart below Table 28.

- 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 8,900. 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 Year 2018, however, the aggregate of member contributions and the City's contribution exceeded the amount of benefits and refunds payable in such Fiscal Year).

- 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 amount schedule. This results in producing payments that ensure that a portion of principal on the UAL is paid each year.

- Funding consistently an amount greater than the MMO (subject to the 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 $5.3 billion as of June 30, 2018. The Municipal Pension Plan has approximately 28,800 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 66,600 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, 2018 and as compared to July 1, 2017.

Table 23
Municipal Pension Plan – Membership Totals

	July 1, 2018	July 1, 2017	% Change
Actives	28,845	28,615	0.8%
Terminated Vesteds	1,074	1,157	-7.2%
Disabled	3,890	3,942	-1.3%
Retirees	22,275	22,288	-0.1%
Beneficiaries	8,547	8,552	-0.1%
Deferred Retirement Option Plan ("DROP")	1,944	1,767	10.0%
Total City Members	66,575	66,321	0.4%
Annual Salaries	$1,805,400,096	$1,744,728,288	3.5%
Average Salary per Active Member	$62,590	$60,973	2.7%
Annual Retirement Allowances	$761,946,574	$750,204,529	1.6%
Average Retirement Allowance	$21,951	$21,569	1.8%

Source: July 1, 2018 Valuation.

As shown in Table 23, total membership in the Municipal Pension Plan increased by 0.4%, or from 66,321 to 66,575 members, from July 1, 2017 to July 1, 2018, including an increase of 0.8% in active members from 28,615 to 28,845 (who were contributing to the Municipal Pension Fund). Of the 66,575 members, 37,730 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, 2018 Actuarial Valuation Report (the "July 1, 2018 Valuation") and includes as of July 1, 2018, 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. Other changes in the actuarial liability were amortized in level-dollar payments over various periods as prescribed in Act 205. In 1999, the City issued pension funding bonds, the proceeds of which were deposited directly into the Municipal Pension Fund to pay down its UAL. See "– Annual Contributions – *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. 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-Eighth Five-Year Plan (and for Fiscal Year 2019, the FY 2019 Fourth Quarter QCMR) to be deposited from Sales Tax revenue into the Municipal Pension Fund, for the six Fiscal Years 2019-2024, respectively, are as follows: $47.6 million; $53.9 million; $59.4 million; $64.8 million; $70.3 million; and $75.0 million.

UAL and its Calculation

According to the July 1, 2018 Valuation, the funded ratio (the valuation of assets available for benefits to total actuarial liability) of the Municipal Pension Fund as of July 1, 2018 was 46.8% and the Municipal Pension Fund had an unfunded actuarial liability ("UAL") of $6.124 billion. The UAL is the difference between total actuarial liability ($11.521 billion as of July 1, 2018) and the actuarial value of assets ($5.397 billion as of July 1, 2018).

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, 2018 Valuation was 7.60% 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 7.65%. See Table 24 for the assumed rates of return for Fiscal Years 2009 to 2018. The 7.65% was used to establish the MMO payment for Fiscal Year 2018; 7.60% will be used to establish the MMO payment for Fiscal Year 2019; 7.55% will be used to establish the MMO payment for Fiscal Year 2020.

Other key actuarial assumptions in the July 1, 2018 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, 2018, was approximately 101.1% of the market value of the assets, as compared to 104.8% as of July 1, 2017.

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 changes to the actuarial and demographic assumptions that were adopted by the Pension Board in response to such Experience Study were employed for the July 1, 2018 Valuation (which is used to determine the June 30, 2020 fiscal year end MMO, City Fund Policy, and Revenue Recognition Policy contributions). The principal revisions included increases in salary growth rates for municipal employees; decreases in retirement and termination rates; marginal changes in the expected disability rates; and changes in mortality assumptions to fully reflect the most recent experience. Details of these assumption changes and the experience of the Municipal Pension Plan can be found in the *City of Philadelphia Municipal Retirement System Experience Study Results 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, 2018, 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.

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

Rates of Return. The following table sets forth for the Fiscal Years 2009-2018 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, 2018, were 6.73% and 5.30%, respectively, on a market value basis. The preliminary Fiscal Year 2019 return net of fees is 5.10%. The actual return will not be finalized until later in Fiscal Year 2020.

Table 24
Municipal Pension Fund
Annual Rates of Return

Year Ending June 30,	Market Value	Actuarial Value[(1)]	Assumed Rate of Return
2009	-19.9%	-9.3%	8.75%
2010	13.8%	12.9%	8.25%
2011	19.4%	9.9%	8.15%
2012	0.2%	2.4%	8.10%
2013	10.9%	5.1%	7.95%
2014	15.7%	4.8%	7.85%
2015	0.3%	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%

Source: July 1, 2018 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 2009-2018, 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
2009	$4,042.1	$3,368.4	120.0%
2010(2)	$4,380.9	$3,650.7	120.0%
2011(2)	$4,719.1	$4,259.2	110.8%
2012(2)	$4,716.8	$4,151.8	113.6%
2013	$4,799.3	$4,444.1	108.0%
2014	$4,814.9	$4,854.3	99.2%
2015	$4,863.4	$4,636.1	104.9%
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%

Source: July 1, 2018 Valuation for Actuarial Value of Assets; 2009-2018 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, 2018 equaled $1.160 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 2014-2018, 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 2014-2017, which is typical of a mature retirement system. In Fiscal Year 2018, 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 2.33% 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 2014-2018
(Amounts in Thousands of USD)

	2014	2015	2016	2017	2018
Beginning Net Assets (Market Value)[1]	$4,445,224	$4,916,705	$4,674,252	$4,357,975	$4,874,075
Additions					
- Member Contributions	53,722	58,658	67,055	73,607	83,289
- City Contributions[2]	553,179	577,195	660,247	706,237	781,984
- Investment Income[3]	677,380	11,790	(147,424)	563,372	438,515
- Miscellaneous Income[4]	4,089	2,049	1,742	3,253	1,812
Total	$1,288,370	$649,692	$581,620	$1,346,469	$1,305,600
Deductions					
- Benefits and Refunds	(808,597)	(881,666)	(889,343)	(821,495)	(828,266)
- Administration	(8,292)	(10,479)	(8,554)	(8,874)	(10,123)
Total	$(816,889)	$(892,145)	$(897,897)	$(830,369)	$(838,389)
Ending Net Assets (Market Value)	$4,916,705	$4,674,252	$4,357,975	$4,874,075	$5,341,286

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 2009-2018, 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]
2009	$4,042.1	$8,975.0	$4,932.9	45.0%	$1,463.3	337.1%
2010	$4,380.9	$9,317.0	$4,936.1	47.0%	$1,421.2	347.3%
2011	$4,719.1[2]	$9,487.5	$4,768.4	49.7%	$1,371.3	347.7%
2012	$4,716.8[2]	$9,799.9	$5,083.1	48.1%	$1,372.2	370.4%
2013	$4,799.3	$10,126.2	$5,326.9	47.4%	$1,429.7	372.6%
2014	$4,814.9	$10,521.8	$5,706.9	45.8%	$1,495.4	381.6%
2015	$4,863.4	$10,800.4	$5,937.0	45.0%	$1,597.8	371.6%
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%

Source: July 1, 2018 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)

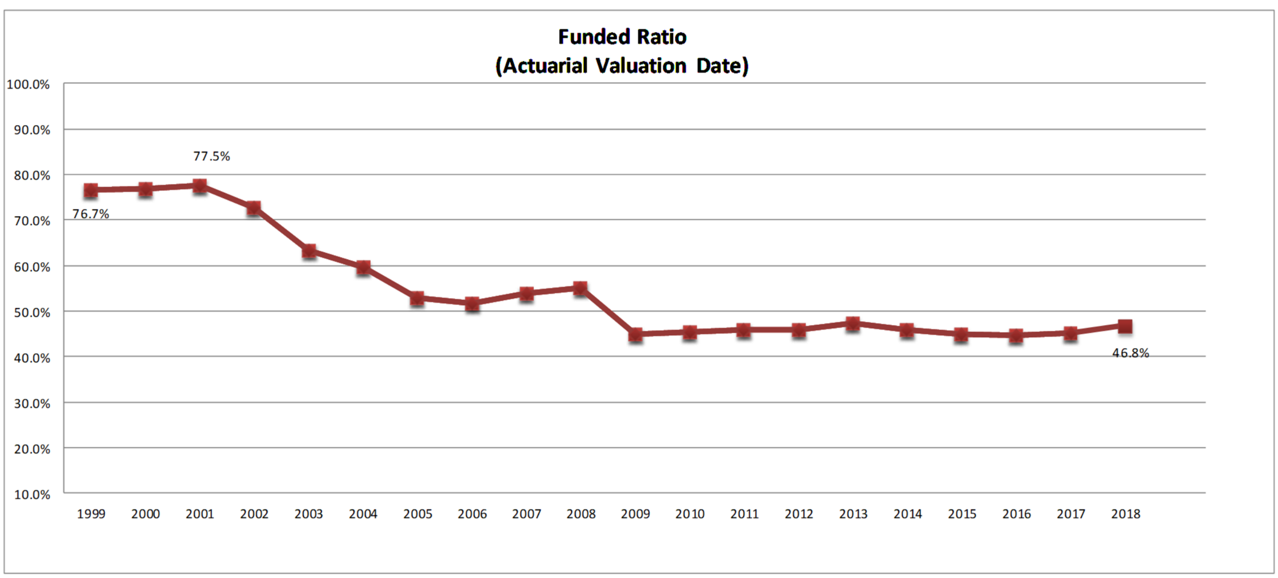
Actuarial Valuation Date (July 1)	Market Value of Net Assets[1] (a)	Actuarial Liability (b)	UAL (Market Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2009	$3,368.4	$8,975.0	$5,606.6	37.5%	$1,463.3	383.2%
2010	$3,650.7	$9,317.0	$5,666.3	39.2%	$1,421.2	398.7%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

Source: 2009-2018 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; and as of June 30, 2018 equaled $1,160,247.

The following chart reflects the funded ratios, using the actuarial value of assets, for the 20-year period 1999 – 2018.



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 2009-2018.

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)
2009	$315.0	$59.6	$374.6	$36.4	$17.5	$11.5	$15.4	$0.0	$455.4	$438.5	-	103.9%
2010	$190.8[2]	$59.2	$250.0	$25.1	$11.6	$10.8	$15.1	$0.0	$312.6[2]	$447.4	$(150.0)[3]	100.0%[4]
2011	$325.8[2]	$61.8	$387.6	$37.7	$17.1	$13.6	$14.2	$0.0	$470.2[2]	$511.0	$(80.0)[3]	100.0%[4]
2012	$352.7	$95.0	$447.7	$43.8	$20.6	$27.4	$16.2	$0.0	$555.7	$507.0	-	109.7%
2013	$356.5	$65.7	$422.2	$41.4	$20.3	$27.2	$18.1	$252.6[3]	$781.8	$492.0	$230.0[3]	100.0%[4]
2014	$365.8	$69.6	$435.4	$45.5	$22.5	$30.0	$19.8	$0.0	$553.2	$523.4	-	105.7%
2015	$388.5	$62.0	$450.5	$48.3	$23.9	$33.4	$21.1	$0.0	$577.2	$556.0	-	103.8%
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%

(1) Other Funds Contributions represents contributions to the Municipal Pension Fund from the City's Special Gasoline Tax Fund, Community Development Block Grant Fund, and Municipal Pension 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 2009-2018.

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
2009	$84.4	$7.2	$3.3	$0.6	$1.3	$96.8
2010	$96.7	$7.6	$3.4	$0.6	$1.5	$109.8
2011	$97.7	$10.3	$4.6	$0.8	$1.5	$114.9
2012	$100.1	$10.7	$4.8	$0.7	$3.4	$119.7
2013[2]	$196.6	$21.5	$10.1	$1.3	$3.8	$233.3
2014[2]	$211.0	$23.6	$11.2	$1.4	$3.7	$250.9
2015	$107.7	$12.6	$5.9	$0.8	$4.0	$131.0
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

(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 2009-2018, 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
2009	$315.0	$84.4	$399.4	$3,915.29	10.20%
2010	$190.8	$96.7	$287.5	$3,653.73	7.87%
2011	$325.8	$97.7	$423.5	$3,785.29	11.19%
2012	$352.7	$100.1	$452.8	$3,484.88	12.99%
2013	$356.5	$196.6	$553.1	$3,613.27	15.31%
2014	$365.8	$211.0	$576.8	$3,886.56	14.84%
2015	$388.5	$107.7	$496.2	$3,831.51	12.95%
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%

(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
2009	$455,389	$1,463,260	31.12%
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%

Source: Municipal Pension Fund Financial Statements, June 30, 2018.

(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 2038. 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.**

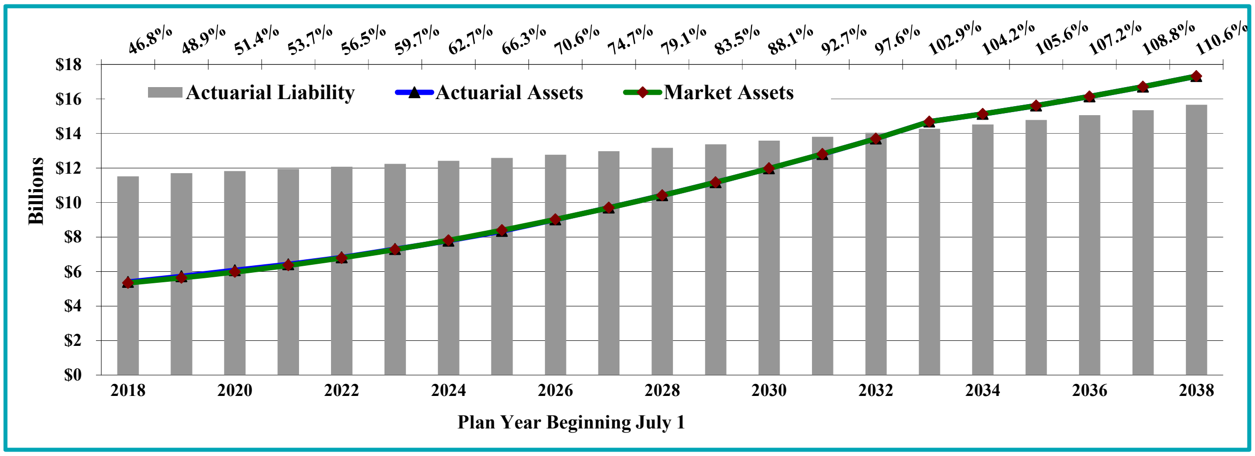
The projections are on the basis that all assumptions as reflected in the July 1, 2018 Valuation are exactly realized and the City makes all future RRP payments on schedule as required by the funding policy adopted by the Pension Board, and must be understood in the context of the assumptions, methods and benefits in effect as described in the July 1, 2018 Valuation. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 7.60% in Fiscal Year 2019 and 7.55% annually thereafter, (ii) RRP contributions will be made each year, and (iii) the provisions of Act 205 as amended by Act 44 will remain in force during the projection period. The July 1, 2018 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 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, four years earlier than under the MMO projections. By the end of the projection period, the System is expected to be funded at 110.6% compared to 103.8% when MMO contributions are made. See the July 1, 2018 Valuation for a further discussion of the assumptions and methodologies used by the Actuary in preparing the July 1, 2018 Valuation and the following projections, all of which should be carefully considered in reviewing the projections. The July 1, 2018 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. 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, 2018 Valuation and such Valuation 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.

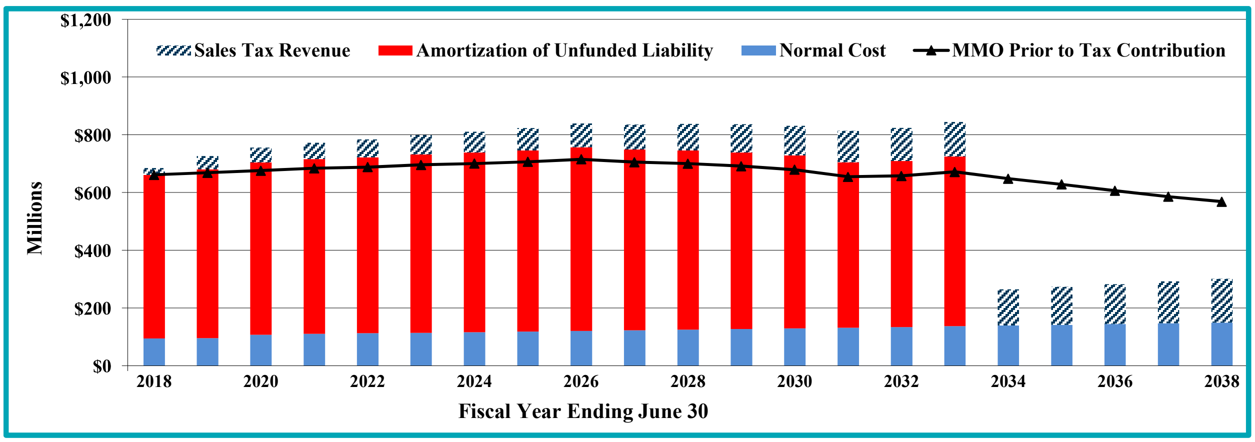
Fiscal Year End	RRP	Sales Tax Contribution	Actuarial Value of Assets	Actuarial Liability	UAL	Funded Ratio
2019	$ 680.8	$ 45.2	$ 5,397.4	$ 11,521.0	$ 6,123.5	46.8%
2020	704.6	51.5	5,722.9	11,699.2	5,976.4	48.9%
2021	715.9	56.8	6,071.4	11,820.5	5,749.2	51.4%
2022	722.1	62.2	6,412.9	11,944.4	5,531.5	53.7%
2023	732.0	67.6	6,823.1	12,070.4	5,247.2	56.5%
2024	738.8	72.2	7,300.9	12,239.4	4,938.5	59.7%

Twenty-Year Projections.

Funded Ratio Chart based on the RRP:



Expected City Contribution Chart based on the RRP:



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OTHER POST-EMPLOYMENT BENEFITS

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

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

The annual payments made by the City for OPEB for Fiscal Years 2014-2018 are shown in Table 33 below.

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

Fiscal Year ended June 30,	Annual OPEB Payment
2014	$67,100
2015	$95,300
2016	$107,200
2017	$114,800
2018	$96,400

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, 2017, the date of the most recent actuarial valuation, the UAL for the City's OPEB was $1.862 billion, the covered annual payroll was $1.865 billion, and the ratio of UAL to the covered payroll was 99.83%. See Note IV.3 to the City's audited Financial Statements for the Fiscal Year ended June 30, 2018.

PGW PENSION PLAN

General

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

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

The City sponsors the Philadelphia Gas Works Pension Plan (the "PGW Pension Plan"), a single employer defined benefit plan, to provide pension benefits for 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, 2018, 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, 2018, 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. PGW has been using a 20-year open amortization period (and the payments in Table 34 are on the basis of a 20-year open amortization). Commencing in PGW's fiscal year 2016, PGW calculates an annual required contribution on the basis of both a 20-year open amortization period and a 30-year closed amortization period, and will contribute the higher of the two amounts. See "– Projections of Funded Status" below. An open amortization period is one that begins again or is recalculated at each actuarial valuation date. With a closed amortization period, the unfunded liability is amortized over a specific number of years to produce a level annual payment. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 30-year schedule.

Table 34
PGW Pension – 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]
9/1/2014	$8,852	$12,130	$20,982	$42,913
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

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018 – June 30, 2019 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) Source: For 2014-2015, 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, PGW records.

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
9/1/2014	$514,944	$643,988	$129,044	79.96%
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%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018 – June 30, 2019 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 four 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, 2018, 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, 2018, an unfunded liability of approximately $261.3 million (rather than the approximately $214.8 million reflected in Table 35), which results in a funded ratio of 67.53%. 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 $354.0 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, 2018 – June 30, 2019," dated September 5, 2018. 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.**

<u>Table 36</u>
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
2018	$535,678	$758,069	$222,391	$28,797	70.66%
2019	548,634	766,287	217,653	28,255	71.60%
2020	560,747	773,927	213,180	27,769	72.45%
2021	579,113	780,787	201,673	26,513	74.17%
2022	590,700	786,516	195,815	25,815	75.10%
2023	599,967	791,214	191,246	25,167	75.83%
2024	608,301	795,046	186,745	24,350	76.51%
2025	615,573	798,069	182,496	23,902	77.13%
2026	622,118	800,541	178,423	24,470	77.71%
2027	628,043	802,210	174,167	22,740	78.29%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018 – June 30, 2019 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.

<u>Table 37</u>
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
2018	$535,678	$758,069	$222,391	$26,437	70.66%
2019	546,188	766,287	220,099	26,379	71.28%
2020	556,178	773,927	217,749	26,363	71.86%
2021	572,753	780,787	208,033	25,662	73.36%
2022	582,994	786,516	203,522	25,423	74.12%
2023	591,292	791,214	199,922	25,206	74.73%
2024	599,033	795,046	196,013	24,809	75.35%
2025	606,104	798,069	191,965	24,770	75.95%
2026	612,858	800,541	187,683	24,737	76.56%
2027	619,420	802,210	182,790	24,401	77.21%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2018– June 30, 2019 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 2018 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 provides that PGW shall deposit $15.0 million annually for an initial five-year period towards the ARC, and an additional $3.5 million annually, which represents a 30-year amortization of the OPEB liability at August 31, 2010. These deposits will be funded primarily through increased rates of $16.0 million granted in the Rate Settlement. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period of 30 years. In PGW's 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 2019-2023. 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]					
	8/31/2014	$24,247	$1,615	$18,500	$44,362
	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
Projections[2]					
	12/31/2019	$27,108	$1,700	$18,500	$47,308
	12/31/2020	$28,713	$1,700	$18,500	$48,913
	12/31/2021	$30,480	$1,700	$18,500	$50,680
	12/31/2022	$32,005	$1,700	$18,500	$52,205
	12/31/2023	$33,292	$1,700	$18,500	$53,492

(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, 2018.

Table 39
Schedule of OPEB Funding Progress
(Dollar Amounts in Thousands of USD)[1]

Actuarial valuation date (August 31)	Actuarial value of assets	Actuarial liability	Unfunded actuarial liability	Funded ratio
8/31/2013	$61,796	$436,527	$374,731	14.2%
8/31/2014	$90,838	$450,289	$359,451	20.2%
12/31/2015	$110,443	$512,527	$402,083	21.6%
12/31/2016	$139,624	$489,979	$350,356	28.5%
12/31/2017	$180,743	$559,631	$378,888	32.3%

(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, 2018.

Further information on PGW's annual OPEB expense, net OPEB obligation and the funded status of the OPEB benefits related to PGW is contained in the Fiscal Year 2018 CAFR.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

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

The timing imbalance referred to above results from a number of factors, principally the following: (i) Real Estate Taxes, BIRT, and 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 tax and revenue anticipation notes in Fiscal Year 2019, nor does it expect to do so in 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, as noted in the Fiscal Year 2018 CAFR. 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 current variance is $528,000 and the City will continue its effort to reconcile such remaining amount.

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 August 31, 2019, the Constitutional debt limitation for Tax-Supported Debt was approximately $9,534,040,000. The total amount of authorized debt applicable to the debt limit was $2,409,257,000, including $682,427,000 of authorized but unissued debt, leaving a legal debt margin of $7,497,191,000. Based on the foregoing figures, the calculation of the legal debt margin is as follows:

Table 40

General Obligation Debt Limit
As of August 31, 2019
(thousands)

Authorized, issued and outstanding	$1,726,830
Authorized and unissued	682,427
Total	$2,409,257
Less: Self-Supporting Debt	($352,838)
Less: Serial bonds maturing within a year	(19,570)
Total amount of authorized debt applicable to debt limit	2,036,849
Legal debt limit	9,534,040
Legal debt margin	$7,497,191

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 $9.534 billion Constitutional debt limit calculation includes six years of property values certified under the City's AVI program, and four 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 $17.127 billion by 2027.

The City is also empowered by statute to issue revenue bonds and, as of August 31, 2019, had outstanding $2,229,054,360 aggregate principal amount of Water and Wastewater Revenue Bonds ("Water and Wastewater Bonds"), $964,480,000 aggregate principal amount of Gas Works Revenue Bonds, and $1,521,240,000 aggregate principal amount of Airport Revenue Bonds. As of August 31, 2019, the principal amount of PICA Bonds outstanding was $129,745,000. 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 $200 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."

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 nor does it expect to do so in 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 August 31, 2019, 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 62% is scheduled to mature within ten Fiscal Years.

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Table 41

Bonded Debt
as of August 31, 2019
(thousands)[1], [2]

General Obligation Debt and PICA Bonds			
General Obligation Bonds		$1,726,830	
PICA Bonds		129,745	
Subtotal: General Obligation Debt and PICA Bonds			**$1,856,575**
Other General Fund-Supported Debt[3]			
Philadelphia Municipal Authority			
Juvenile Justice Center	$82,075		
Public Safety Campus	62,480		
Energy Conservation	8,410		
		$152,965	
Philadelphia Authority for Industrial Development			
Pension capital appreciation bonds	$313,876		
Pension fixed rate bonds	761,655		
Stadiums	234,280		
Library	4,320		
Cultural and Commercial Corridor	80,655		
One Parkway	24,825		
Affordable Housing	51,150		
400 N. Broad[4]	245,294		
Art Museum	9,905		
Rebuild	79,460		
		$1,805,420	
Philadelphia Parking Authority		10,160	
Philadelphia Redevelopment Authority		196,755	
Subtotal: Other General Fund-Supported Debt			**$2,165,300**
Revenue Bonds			
Water Fund		$2,229,054	
Aviation Fund[5]		1,521,240	
Gas Works[5]		964,480	
Subtotal: Revenue Bonds			**$4,714,774**
Grand Total			**$8,736,650**

(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 2018 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 August 31, 2019.

(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 August 31, 2019)
(Amounts in Millions of USD)[1]

Fiscal Year	General Obligation Debt[2] Principal	Interest[3]	Total	Other General Fund-Supported Debt[4], [5] Principal	Interest[5]	Total	Aggregate General Fund-Supported Debt Principal	Interest	Total
2020	$9.89	$42.39	$52.27	$76.88	$151.04	$227.92	$86.77	$193.43	$280.20
2021	86.73	82.46	169.19	92.60	141.52	234.12	179.33	223.98	403.31
2022	90.76	78.07	168.83	90.93	143.22	234.14	181.68	221.29	402.97
2023	96.30	73.41	169.71	128.91	105.23	234.14	225.21	178.64	403.85
2024	101.04	68.49	169.52	128.24	104.66	232.90	229.28	173.15	402.43
2025	105.94	63.35	169.28	133.36	99.57	232.92	239.29	162.91	402.20
2026	103.65	58.16	161.81	149.62	82.50	232.12	253.27	140.66	393.93
2027	108.63	52.89	161.52	170.69	57.49	228.18	279.32	110.38	389.70
2028	114.41	47.50	161.91	180.24	50.87	231.11	294.65	98.38	393.02
2029	90.36	42.64	133.00	281.84	33.22	315.06	372.20	75.86	448.06
2030	107.35	37.86	145.21	69.61	23.13	92.74	176.96	61.00	237.95
2031	113.47	32.52	145.98	72.90	19.85	92.75	186.37	52.37	238.73
2032	119.18	26.88	146.05	33.21	16.93	50.14	152.38	43.81	196.19
2033	87.72	21.83	109.54	26.22	15.50	41.72	113.94	37.32	151.26
2034	77.50	17.71	95.21	27.51	14.20	41.71	105.01	31.91	136.92
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	**$1,726.83**	**$789.06**	**$2,515.89**	**$1,932.94**	**$1,132.94**	**$3,065.88**	**$3,659.77**	**$1,921.99**	**$5,581.77**

(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).

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 2018 was $30.4 million. The budgeted amount and current estimate for Fiscal Year 2019 is $32.4 million. The budgeted amount for Fiscal Year 2020 is $33.8 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. As of August 31, 2019, the principal amount of PICA Bonds outstanding was $129,745,000. The final maturity date for such PICA Bonds is June 15, 2023. Such final maturity of the PICA Bonds would occur prior to the final maturity of the 2019 Bonds. 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.

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 2016-2018, the budgeted amounts and current estimates for Fiscal Year 2019, and the budgeted amounts for Fiscal year 2020 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 Investment Expenses[(2)]	Net taxes remitted to the City[(3)]
2016 (Actual)	$444.5	$61.1	$383.4
2017 (Actual)	$469.2	$59.7	$409.5
2018 (Actual)	$497.0	$42.8	$454.2
2019 (Adopted Budget)	$516.0	$47.1	$469.0
2019 (Current Estimate)	$521.7	$47.1	$474.6
2020 (Adopted Budget)	$546.1	$46.8	$499.3

(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 2016-2018, the City's CAFRs for such Fiscal Years. For Fiscal Years 2019-2020, the Fiscal Year 2019 Adopted Budget, the FY 2019 Fourth Quarter QCMR, and the Twenty-Eighth Five-Year Plan, as applicable.

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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. The swap agreements (or applicable portion) related to the Series 2007B-3 Bonds and the Series 2014A Bonds were terminated on September 11, 2019 (the date the 2019 Bonds were priced), for settlement on the settlement date for the issuance of the 2019 Bonds, currently scheduled for September 18, 2019. In addition, in connection with the refunding, PAID terminated a basis swap agreement with Merrill Lynch Capital Services, Inc. related to PAID's Fixed Rate Lease Revenue Refunding Bonds, 2007 Series A (which have been retired). Table 44 has been revised from Table 44 as included in the Preliminary Official Statement dated September 3, 2019, to reflect the termination of such agreements (or applicable portion).

Table 44
Summary of Swap Information
for General Fund-Supported Debt (as of September 12, 2019)

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)]	($23,590,349)	($9,644,942)	($3,181,012)
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 September 12, 2019, 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 2019 Bonds. PAID is expected to make a termination payment of $6,051,000 to JPMorgan on the issue date of the 2019 Bonds.

(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 2019 Bonds. PAID is expected to make a termination payment of $1,998,000 to Merrill Lynch on the issue date of the 2019 Bonds.

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 2018 CAFR. In addition, PICA has entered into swaps, which are detailed in the Fiscal Year 2018 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. The letter of credit agreement related to the Series 2007B-3 Bonds will be terminated upon the issuance of the 2019 Bonds.

Table 45
Summary of Letter of Credit Agreements
for General Fund-Supported Debt
as of August 31, 2019

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.
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-3	$44,605,000	October 1, 2030	PNC Bank	May 22, 2020	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 January 1, 2019.

- 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.
- In May 2019, the City issued $188,660,000 in General Obligation Refunding Bonds.
- In February 2019, the City issued $68,335,000 in Water and Wastewater Revenue Refunding Bonds.

Upcoming Financings.

- 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.

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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 2020-2025 Adopted Capital Program

The Fiscal Year 2020-2025 Adopted Capital Program contemplates a total budget of $10.85 billion. In the Fiscal Year 2020-2025 Adopted Capital Program, approximately $3.35 billion is expected to be provided from federal, Commonwealth, and other sources and approximately $7.50 billion through City funding. The following table shows the amounts budgeted each year from various sources of funds for capital projects in the Fiscal Year 2020-2025 Adopted Capital Program.

Table 48
Fiscal Year 2020-2025 Adopted Capital Program
(Amounts in Thousands of USD)

Funding Source	2020	2021	2022	2023	2024	2025	2020-2025
City Funds--Tax Supported							
Carried-Forward Loans	$374,386	-	-	-	-	-	$374,386
Operating Revenue	121,088	$12,200	$12,200	$12,200	$12,200	$1,700	171,588
New Loans	177,171	198,425	198,955	198,610	177,086	178,236	1,128,483
Prefinanced Loans	24,226	-	-	-	-	-	24,226
PICA Prefinanced Loans	4,279	-	-	-	-	-	4,279
Tax Supported Subtotal	**$701,150**	**$210,625**	**$211,155**	**$210,810**	**$189,286**	**$179,936**	**$1,702,962**
City Funds--Self Sustaining							
Self-Sustaining Carried Forward Loans	$374,292	-	-	-	-	-	$374,292
Self-Sustaining Operating Revenue	150,654	$73,163	$72,611	$77,816	$84,594	$82,630	541,468
Self-Sustaining New Loans	616,820	699,344	1,029,537	952,450	749,103	746,741	4,793,995
Self-Sustaining Subtotal	**$1,141,766**	**$772,507**	**$1,102,148**	**$1,030,266**	**$833,697**	**$829,371**	**$5,709,755**
Other City Funds							
Revolving Funds	$17,000	$17,000	$15,000	$13,000	$13,000	$13,000	$88,000
Other Than City Funds							
Carried-Forward Other Government	$8,384	-	-	-	-	-	$8,384
Other Government Off Budget	1,206	$1,285	$1,526	$1,466	$1,494	$1,586	8,563
Other Governments/Agencies	20,665	2,100	2,100	100	100	100	25,165
Carried-Forward State	124,313	-	-	-	-	-	124,313
State Off Budget	172,976	197,827	195,919	198,362	195,513	190,688	1,151,285
State	118,148	40,697	39,907	35,430	35,441	43,458	313,081
Carried-Forward Private	112,506	-	-	-	-	-	112,506
Private	73,002	65,953	65,168	62,558	61,902	45,705	374,288
Carried-Forward Federal	212,758	-	-	-	-	-	212,758
Federal Off-Budget	103,494	5,524	80,161	20,633	16,000	8,800	234,612
Federal	212,670	120,777	94,069	110,243	111,992	135,935	785,686
Other Than City Funds Subtotal	**$1,160,122**	**$434,163**	**$478,850**	**$428,792**	**$422,442**	**$426,272**	**$3,350,641**
TOTAL	**$3,020,038**	**$1,434,295**	**$1,807,153**	**$1,682,868**	**$1,458,425**	**$1,448,579**	**$10,851,358**

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 (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 2016-2019, and the budgeted amount for Fiscal Year 2020.

Table 49
Aggregate Losses – General and Special Litigation Claims (General Fund)
Fiscal Years 2016-2019 (Actual) and 2020 (Budget)
(Amounts in Millions of USD)

	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Budget 2020
Aggregate Losses	$41.2	$38.3	$44.6	$45.3	$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 $57.0 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.

Based on the Twenty-Eighth Five-Year Plan, the City expects settlements and judgments from the General Fund for Fiscal Years 2020-2024 to range from $49.2 million in Fiscal Year 2020 to $48.8 million in Fiscal Year 2024.

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 2018 CAFR, "Contingencies – Primary Government – Claims and Litigation" in APPENDIX C 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 2016-2019, and the budgeted amount for Fiscal Year 2020. The current estimate for Fiscal Year 2020 is $4.2 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 2016-2019 (Actual) and 2020 (Budget)
(Amounts in Millions of USD)

	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Budget 2020
Aggregate Losses	$5.4	$7.0	$6.3	$3.3	$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 2016-2019, and the budgeted amount for Fiscal Year 2020. 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 2016-2019 (Actual) and 2020 (Budget)
(Amounts in Millions of USD)

	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Budget 2020
Aggregate Losses	$1.3	$1.6	$1.1	$1.7	$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 2014 through 2018. PGW revenues are the first source of payment for any of the claims against PGW. PGW currently estimates approximately $6.0 million and $3.1 million in settlements and judgments for PGW Fiscal Years 2019 and 2020, respectively.

Table 52
Claims and Settlement Activity (PGW)
PGW Fiscal Years 2014-2018
(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
2014	$10,411	$2,498	($2,965)	$9,944	$4,728
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

Source: PGW's audited financial statements.

APPENDIX B

CITY SOCIOECONOMIC INFORMATION

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INTRODUCTION

The City of Philadelphia (the "City" or "Philadelphia") is the sixth largest city in the nation by population, and is at the center of the United States' eighth largest metropolitan statistical area, according to 2018 estimates. The Philadelphia MSA (further described below) includes a substantial retail sales market, as well as a diverse network of business suppliers and complementary industries. Some of the City's top priorities include attracting and retaining knowledge workers, increasing educational attainment and employment skills among Philadelphians, attracting real estate development, and promoting Philadelphia as a desirable location for business.

According to the 2010 U.S. Census, the City increased its population by 0.7% to 1.53 million residents in the ten years from 2000 to 2010, ending six decades of population decline. Although the increase was modest, it was an indicator of more recent growth and development in Philadelphia. From 2010 to 2018, the City increased its population by 3.6% to 1.584 million residents. As described below, the 20 to 34 year-old age group is the largest age group in Philadelphia and the fastest growing.

Philadelphia's recent population and job growth, the latter of which outpaced the national average for the past three years, is expected to provide additional resources to tackle the City's largest challenges. These challenges include underfunded pension liabilities, low estimated General Fund balances in Fiscal Years 2020-2024, high rates of poverty, and the School District of Philadelphia's (the "School District") ongoing fiscal challenges. Given the population shifts and economic development taking place nationwide, coupled with the City's strategic geographical location, relative affordability, diversified economy, cultural and recreational amenities, and its growing strength in key industries, Philadelphia is well-positioned to attract new businesses and investment over the coming years.

Geography

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

Philadelphia Metropolitan Statistical Area (the "MSA"), highlighted in blue in Figure 1, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of approximately 5,118 square miles with approximately 6,096,372 residents according to 2018 estimates by the U.S. Census Bureau.[1]

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

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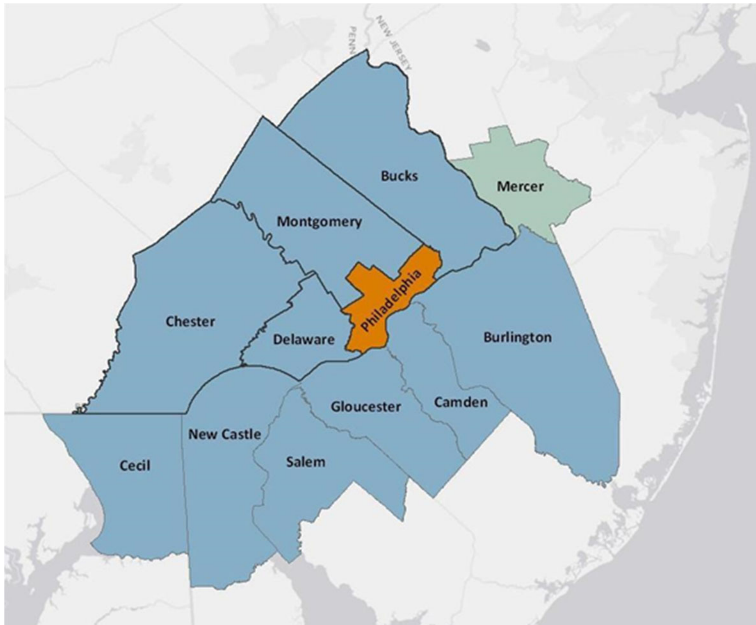
[1] Due to its close proximity and impact on the region's economy, Mercer County, New Jersey, highlighted in green in Figure 1, is included in the MSA by many regional agencies, although it is not included in the area defined by the U.S. Office of Management and Budget.

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



Source: 2009 TIGER County Shapefiles

Strategic Location

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

Population and Demographics

Philadelphia is the nation's sixth most populous city, with 1.584 million residents, based on 2018 estimates. The 2000 and 2010 U.S. Census reflect the City's first population gain in 60 years. The City's population reached its nadir in 2006 with 1.45 million residents. Philadelphia's population has increased by 135,744 residents from 2006 – 2018, or by 8.57%.

From 2006 to 2018, the share of the population represented by citizens age 20 to 34 ("millennials") grew from 20% to 26.2%, becoming the largest share of Philadelphia's population. This demographic group tends to be better educated than the City's and the nation's adult population as a whole. In 2017, 42.8% of 25- to 34-year-olds in Philadelphia held a bachelor's degree or higher, while only 34.4% of 25 to 34-year-olds in the United States were college graduates. The City's many universities and diverse employment opportunities are likely draws for residents in the 20 to 34 age group. In addition to an increase in the millennial population, the City's immigrant population also grew significantly, with the City's Asian population increasing from 4.9% to 7.1% and the Hispanic or Latino population increasing from 8.5% to 14.1% between 2000 to 2017, according to the US Census Bureau.

Table 1
Population: City, MSA, Pennsylvania & Nation

	1990	2000	2010	2018	Percent Change 2000 - 2010	Percent Change 2010 - 2018
Philadelphia	1,585,577	1,517,550	1,528,427	1,584,138	0.7%	3.6%
Philadelphia-Camden-Wilmington MSA	5,435,468	5,687,147	5,972,049	6,096,372	5.0%	2.1%
Pennsylvania	11,881,643	12,281,054	12,712,343	12,807,060	3.5%	0.7%
United States	248,709,873	281,421,906	309,348,193	327,167,434	9.9%	5.8%

Source: U.S. Census Bureau, Population Estimates 2018, Census 2010, Census 2000, Census 1990.

Nearly 18% of Philadelphia's population is school-aged (aged 5-19), and in 2017, Philadelphia exceeded many selected peer cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Selected peer cities (as shown in Table 2) reflect characteristics consistent with Philadelphia, such as geography, socio-economic statistics, industrial legacies, or port facilities. Among these cities, while Boston had the highest percentage of its population enrolled in higher education, Philadelphia had 34,634 more students enrolled in higher education than Boston. Philadelphia had the fifth highest percentage of its population enrolled in higher education and the fifth largest university student population.

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Table 2
2017 Total Number of Students, as a Percent of Total Population of Selected Cities, Ranked by Total Number of Students Enrolled in Higher Education

City	Total Number of Students Enrolled in School (all years)	Total Number of Students Enrolled in Higher Education	Percent of All Students Enrolled in Higher Education	Percent of Total Population Enrolled in Higher Education
Los Angeles, CA	1,029,111	356,116	34.6%	9.0%
Chicago, IL	690,284	225,179	32.6%	8.3%
Houston, TX	594,916	160,307	26.9%	6.9%
San Diego	377,644	153,541	40.7%	10.8%
Philadelphia, PA	**403,818**	**139,910**	**34.6%**	**8.8%**
San Antonio, TX	407,331	115,941	28.5%	7.6%
Boston, MA	191,254	105,276	55.0%	15.2%
Phoenix, AZ	418,062	94,858	22.7%	5.8%
Washington, DC	166,054	74,577	44.9%	10.7%
Milwaukee, WI	257,495	74,548	29.0%	7.9%
Baltimore, MD	156,859	55,879	35.6%	9.0%
Detroit, MI	179,090	45,743	25.5%	6.8%
Memphis, TN	168,364	45,284	26.9%	6.9%
Cleveland, OH	98,425	27,645	28.1%	7.2%
United States	81,751,797	22,848,124	27.9%	7.0%

Source: 2017 American Community Survey, 1-Year Estimates.

ECONOMIC BASE AND EMPLOYMENT

The Philadelphia Economy

The City's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major regional business and personal services center with strengths in insurance, law, finance, health, education, utilities, and the arts. The City also provides a destination for entertainment, arts, dining and sports for residents of the suburban counties, as well as for those residents of the counties comprising the MSA plus Mercer County, New Jersey.

As shown in Table 10, the cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas along the East Coast. For example, Philadelphia's cost of living is 20% less than the Washington D.C. metropolitan area and 61% less than Manhattan. The City, as the commercial center of an MSA of 6.1 million people, offers its business community access to a large, diverse, and industrious labor pool. As one of country's education centers, these businesses also enjoy access to a large pool of recent graduates from the institutions of higher education in the MSA.

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Key Industries

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

As shown in Table 3, compared to the nation, Philadelphia County has higher concentrations in seven sectors: 1. educational services; 2. health care and social assistance; 3. management of companies and enterprises; 4. arts, entertainment, and recreation; 5. professional and technical services; 6. other services, except public administration; and 7. finance and insurance.[2] Of these seven sectors, the City has a higher concentration of employment than the Commonwealth in five sectors: educational services; health care and social assistance; arts, entertainment and recreation; professional and technical services; and other services, except public administration.

Table 3

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

Industry	Philadelphia County to the US	Pennsylvania to the US
Educational Services	4.31	1.57
Health Care and Social Assistance	1.76	1.30
Management of Companies and Enterprises	1.14	1.45
Arts, Entertainment, and Recreation	1.16	1.03
Professional and Technical Services	1.19	0.95
Other Services, Except Public Administration	1.13	1.11
Finance and Insurance	1.07	1.09

Source: Bureau of Labor Statistics: 2018 Annual Average Employment Location Quotient, Quarterly Census of Employment and Wages

The concentration of educational services not only provides stable support to the local economy, but also generates a steady and educated workforce, fueling the City's professional services and healthcare industries. As of 2018, there were 118,580 Philadelphia residents between the ages of 25 and 34 with college degrees, and a 2019 Campus Philly report found that 54% of recent graduates in the Greater Philadelphia area have remained in the area, outpacing the retention rate of Boston (42%).

The City is also capitalizing on the region's assets to become a leader in research generated by life sciences and educational institutions. Several sites now foster life science incubator facilities, including University City Science Center, University of Pennsylvania ("Penn"), and Drexel University. University Place Associates (UPA) and the Wistar Institute have recently announced a strategic collaboration to curate a 240,000 square foot building to be dedicated to supporting the life sciences industry with state-of-the-art laboratory/office space in the heart of Philadelphia's University City District. It is expected to be completed early 2021. Johnson & Johnson utilizes Pennovation Works as the

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

site for JPOD, an interactive, high-tech conference space. Announced in June 2019, Pennovation Works is to enter its next phase with a $35 million project to renovate the existing building into lab-related space. The four-story, 73,400-square-foot structure will have 35,000 square feet of wet lab, office and flex space. It is expected to be completed August 2020. Penn's Penn Center for Innovation and Temple University's Office of Technology Development and Commercialization are two of several organizations driving tech transfer and commercialization of innovations developed at Philadelphia's major research institutions. The Cambridge Innovation Center occupies part of uCity Square, which includes state-of-the-art wet lab and shared working space. The project expanded the one million square feet in facilities offered by the University City Science Center to 6 million square feet, with a projected investment of over $1 billion. It is expected to be completed in 2027.

Employment

Table 4 shows non-farm payroll employment in the City over the last decade by industry sectors. In the past 10 years, growth has occurred in Mining, Logging, and Construction; Trade, Transportation, and Utilities; Professional and Business Services; Education and Health Services; Leisure and Hospitality and Other Services. These sectors provide stability to the City's overall economy.

Table 4

Philadelphia Non-Farm Payroll Employment(1) (Amounts in Thousands)

Sector	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	% Change 2009-2018
Education and health services	199.5	202.4	206.6	208.4	209.7	213.2	217.3	223.8	230.2	238.2	19.4%
Professional and business services	80.4	81.9	83.3	84.4	86.7	88.6	91.2	95.2	97.4	99.6	23.9%
Trade, transportation, and utilities	85.8	86.5	87.3	88.8	89.4	90.9	92.1	92.5	92.3	92.8	8.2%
Leisure and hospitality	56.9	58.4	60.6	63.2	64.8	66.9	68.5	70.8	73.1	74.3	30.6%
Financial activities	44.9	42.6	41.6	41.0	41.1	41.7	42.3	42.4	41.6	42.5	-5.3%
Other services	26.6	26.5	26.4	26.8	26.9	26.8	27.1	27.8	27.8	28.3	6.4%
Manufacturing	25.7	24.7	23.7	22.9	21.8	21.5	21.0	20.5	20.2	19.9	-22.6%
Mining, logging, and construction	10.1	10.0	10.0	10.2	10.4	11.0	11.5	12.0	12.1	12.6	24.8%
Information	12.6	12.2	12.0	12.0	11.5	11.5	11.8	11.6	11.6	12.1	-4.0%
Private Sector Total	*542.5*	*545.2*	*551.5*	*557.7*	*562.3*	*572.1*	*582.8*	*596.6*	*606.3*	*620.3*	14.3%
Government	110.4	112.1	109.0	105.3	103.5	102.2	101.6	101.3	102.2	103.7	-6.1%
Total	***652.9***	***657.4***	***660.4***	***662.9***	***665.9***	***674.3***	***684.4***	***698.0***	***708.6***	***724.0***	10.9%

Source: Bureau of Labor Statistics, 2018.
[1]Includes person employed within the City, without regard to residency.

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Table 5
Philadelphia Change in Share of Employment Sectors, Ranked by Percent Change of Share

Sector	Share of Total Employment 2009	Share of Total Employment 2018	Change 2009-2018
Education and health services	30.6%	32.9%	2.3%
Leisure and hospitality	8.7%	10.3%	1.5%
Professional and business services	12.3%	13.8%	1.4%
Mining, logging, and construction	1.5%	1.7%	0.2%
Other services	4.1%	3.9%	-0.2%
Information	1.9%	1.7%	-0.3%
Trade, transportation, and utilities	13.1%	12.8%	-0.3%
Financial activities	6.9%	5.9%	-1.0%
Manufacturing	3.9%	2.7%	-1.2%
Government	16.9%	14.3%	-2.6%

Source: Bureau of Labor Statistics, 2018.
[1] Includes persons employed within the City, without regard to residency.

Bureau of Labor Statistics data show that in 2018, the Education and Health Services, Professional and Business Services, Financial Activities, and Leisure and Hospitality sectors collectively represented 62.9% of total employment in the City for the year. From 2009 to 2018, Philadelphia gained 77,800 private sector jobs. Job growth in Philadelphia has outpaced the rest of the nation for the past three years, and the employment rate is the highest in decades.

Unemployment

Although Philadelphia has recently narrowed the gap between its unemployment levels and the national unemployment levels, the effects of the recession on unemployment endured longer in Philadelphia than in many other parts of the country.

As shown in Table 6, employment gains in the latter part of 2013 through 2018 have resulted in a decline in Philadelphia's unemployment rate from a high of 10.9% in 2012 to 5.5% in 2018.

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

Table 6
Unemployment Rate in Selected Geographical Areas
(Annual Average 2009-2018)

Geographical Area	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Change in rate from 2009-2018
United States	9.3	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4	3.9	-5.4
Pennsylvania	8.0	8.5	7.9	7.8	7.4	5.9	5.3	5.4	4.9	4.3	-3.7
Philadelphia-Camden-Wilmington MSA	8.3	8.8	8.5	8.4	7.8	6.2	5.4	5.1	4.7	4.2	-4.1
Philadelphia	9.7	10.6	10.7	10.9	10.3	8.1	7.1	6.8	6.2	5.5	-4.2

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics, 2018.

Principal Private Sector Employers in the City

Table 7 lists the 20 largest private employers that are based in Philadelphia. Penn and Thomas Jefferson University and Jefferson Health top this list. Other sectors represented include food services, bio-tech, and broadcasting/cable.

Fortune 500 companies headquartered or maintaining a major presence in Philadelphia include the Comcast Corporation and the Aramark Corporation. As of early 2018, Crown Holdings Inc. was located in Philadelphia, but has recently relocated its headquarters to Bucks County. Two Fortune 1000 companies are also headquartered within the City: FMC Corporation and Urban Outfitters Inc.

Table 7
Largest Private Employers Based in Philadelphia
Ranked by Number of Local Employees, 2019

Employer	Local Employees
University of Pennsylvania	40,697
Thomas Jefferson University and Jefferson Health	30,000
Comcast Corporation	12,349
Drexel University	12,124
Temple University Health System	9,808
Einstein Healthcare Network	8,645
Wells Fargo Bank	6,328
Independence Health Group	6,116
Accenture	2,730
PwC	1,900
Deloitte LLP	1,750
Community College of Philadelphia	1,700
SugarHouse Casino	1,520
Cardone Industries	1,400
Ernst & Young LLP	1,378
Saint Joseph's University	1,374
Day & Zimmerman	1,243
KPMG	1,181
CareersUSA	1,175
Jacobs	1,094
Total	**144,512**

Source: Philadelphia Business Journal, 2019

Certain Other Employers in the City. On June 30, 2019, Philadelphia Academic Health System, LLC ("PAHS"), the parent company of Hahnemann University Hospital and St. Christopher's Hospital for Children, and certain of its subsidiaries and related physician practices, filed for bankruptcy. Through the bankruptcy process, it is expected that Hahnemann University Hospital will close and St. Christopher's Hospital for Children will be sold or have its debt restructured. On July 1, 2019, Hahnemann University Hospital began a wind down of its operations; final closing is expected in September 2019. Hahnemann University Hospital has approximately 496 beds and 2,500 employees, while St. Christopher's Hospital for Children has approximately 88 pediatric beds and 1,900 employees.

In late June 2019, Philadelphia Energy Solutions announced that it will be shutting down its South Philadelphia refinery following an explosion and fire on June 21, 2019, which resulted in significant damage to the refinery complex. The closure is expected to impact more than 1,000 employees. The City does not expect to incur any costs related to cleaning up the refinery complex or any associated environmental remediation. Preliminary investigations by the City have not revealed any threats to the City's water supply as a result of the explosion and fire at the refinery complex.

Hospitals and Medical Centers

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

Major research facilities are also located in the City, including those located at its universities and medical schools: Children's Hospital of Philadelphia, the Hospital of the University of Pennsylvania, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. Philadelphia is home to two of the nation's 41 National Cancer Institute ("NCI")-designated Comprehensive Cancer Centers (the Abramson Cancer Center at the University of Pennsylvania and Fox Chase Cancer Center, which is part of the Temple University Health System). Additionally, Philadelphia is also home to two NCI-designated Cancer Centers (Kimmel Cancer Center and The Wistar Institute Cancer Center).

Penn Medicine University of Pennsylvania Health System

Penn Medicine includes Pennsylvania Hospital, the nation's first hospital, founded in 1751 and the nation's first medical school, the University of Pennsylvania School of Medicine, opened in 1765. In addition, the Hospital of the University of Pennsylvania was established in 1874 as the nation's first teaching hospital. Penn Medicine's hospitals have been named among the top ten hospitals in the country with the combined University of Pennsylvania and Penn Presbyterian Medical Center ranked #1 in the region by *U.S. News and World Report*. Penn Medicine, which has invested more than $200 million in major capital investments between 2014 and 2015, began construction in 2016 on a new 1.5 million square foot Patient Pavilion, a clinical facility that is projected to be occupied by spring of 2021.

Children's Hospital of Philadelphia Expansion

Children's Hospital of Philadelphia ("CHOP") is the oldest children's hospital in the nation and one of the largest in the world. CHOP was ranked #2 in the nation in 2017-2018 according to the *U.S. News and World Report*. Since 2002, CHOP has invested over $5.3 billion in its expansion in Philadelphia. In 2017, CHOP opened two facilities as a part of this expansion: the $500 million, 700,000 square foot Buerger Center for Advanced Pediatric Care, and the $275 million, 466,000 square foot Roberts Center for Pediatric Research.

Temple University Hospital, Inc.

Temple University Hospital, Inc. ("TUH") is one of the region's most respected academic medical centers. The 732-bed Philadelphia hospital is also the chief clinical training site for the Lewis Katz School of Medicine at Temple University. TUH was ranked among the "Best Regional Hospitals" in six different specialties in *U.S. News & World Report* 2015-2016 regional rankings.

Thomas Jefferson University and Jefferson Health

Thomas Jefferson University Hospitals ("TJUH") has been at the top of the list of hospitals in Pennsylvania (3rd) and the Philadelphia metro area (2nd) in *U.S. News & World Report*'s annual listing of the best hospitals and specialties. TJUH also ranked 16th overall in the U.S. News and World Report listing. Jefferson Health has recently participated in several significant mergers, integrating Magee Hospital, Kennedy Health System, the Aria Health system and Abington Hospital into its system. In 2017, Thomas Jefferson University acquired Philadelphia University to become the fifth largest educational institution in Philadelphia.

Einstein Healthcare Network

Einstein Healthcare Network is a private, not-for-profit organization with several major facilities and many outpatient centers that has been in existence for nearly 150 years. The Einstein Health and Medical Center in Philadelphia has been listed as a top hospital in *U.S. News & World Report*.

In September 2018, Einstein Healthcare Network and Thomas Jefferson University announced a merger agreement and such entities are seeking necessary state and federal regulatory approvals to close the transaction.

Educational Institutions

The MSA plus Mercer County, New Jersey, has the second largest concentration of undergraduate and graduate students on the East Coast, with approximately 100 degree granting institutions of higher education and a total enrollment of over 434,000 full and part-time students. Approximately 137,807 students lived within the geographic boundaries of the City in 2016. Included among these institutions are Penn, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Princeton University, Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University.

University of Pennsylvania

Penn, the first university in the U.S., founded in 1740, and a prominent Ivy League institution, is located in West Philadelphia across the Schuylkill River from downtown Philadelphia. In the fall of 2018, more than 21,000 full-time undergraduate, graduate and professional full-time students attended Penn, 5,333 of whom are international students. Approximately 3,900 part-time students were enrolled. As of the fall 2018, Penn had a total workforce of over 18,000 faculty and staff, and the University of Pennsylvania Health System had a workforce of 23,275 employees. In September 2016, Penn opened Pennovation Works, a 55,000 square foot business incubator and laboratory that houses researchers, innovators, and entrepreneurs for the commercialization of research discoveries.

Penn has undergone significant expansion in the last decade and has a growing endowment currently valued at $13.8 billion. In 2015, Penn, and related third-party developers, spent $932 million dollars on new buildings and renovations. A recent independent report conducted by Econsult Solutions, Inc. found that Penn and the University of Pennsylvania Health System had a combined economic impact on the City and the Commonwealth of more than $14 billion in Fiscal Year 2015, including $10.8 billion to the City. According to the same study, such Penn entities generate $1 out of every $20 of Philadelphia's general fund and one out of every nine jobs in the Philadelphia economy.

In Fiscal Year 2018, Penn was the fifth largest recipient of funding from the National Institutes of Health ("NIH"), receiving approximately $405.6 million. Penn is consistently one of the largest annual recipients of NIH funding.

Drexel University

Founded in 1891 as the Drexel Institute of Science, Art and Industry, Drexel University ("Drexel") is one of Philadelphia's top 10 private employers, and a major engine for economic development in the region. Drexel is known for its innovation and civic engagement, ranked a "top 15 most innovative school" by *U.S. News and World Report*. Drexel's student body consists of approximately 26,000, making it one of the 15 largest private universities in the country. Drexel is unique in that it provides its students with a co-op work experience every six months throughout the four year college experience. Over the last decade, Drexel has undergone significant expansion and has major plans for future development. In 2011, Drexel opened the doors to the $69 million Constantine N. Papadakis Integrated Sciences Building, a $92 million facility for its LeBow School of Business, and a new mixed use residential and retail project, Chestnut Square.

Temple University

Temple University ("Temple"), founded in 1884, has undergone a significant transformation over the past three decades from a university with a mostly commuter-based enrollment to one in which on and near-campus housing is now in high demand. Temple features 17 schools and colleges, eight campuses, hundreds of degree programs and more than 38,000 students. Currently, an estimated 12,000 students live on or around the Temple campus.

"Visualize Temple," approved in 2014, is Temple's campus master plan to guide the continued growth and evolution of the City's leading public research university. It is the culmination of an 18-month long process driven by the input of over 3,000 Temple students, alumni, faculty, and staff. Such plan identifies challenges and opportunities at each campus and defines a collective vision for further campus transformation. Temple continues to implement key elements of this master plan.

Thomas Jefferson University

In 2017, Thomas Jefferson University and Philadelphia University merged to create the fifth largest university in the City. The new Thomas Jefferson University ("Jefferson") creates a national comprehensive university designed to deliver high-impact education and value for students in medicine, science, architecture, design, fashion, textiles, health, business, engineering, and other disciplines.

In addition to nine colleges and three schools from both universities, the formation of the Philadelphia University Honors Institute and the Philadelphia University Design Institute are key components of the combined university's educational ecosystem. Jefferson includes (i) campuses in Center City, Philadelphia ("Center City"), East Falls, Montgomery County, Bucks County, and Atlantic County (NJ); (ii) a growing online presence; (iii) numerous clinical sites; and (iv) an extensive global footprint with locations in Italy and Japan, study abroad sites and curricular and co-curricular partnerships and networks. Jefferson is home to more than 7,800 students, 4,000 faculty members and 63,000 alumni.

Community College of Philadelphia

The Community College of Philadelphia (the "College") serves over 19,000 students in associate's degree and certificate programs. The College operates four campuses: its main Campus in Center City Philadelphia and three regional campuses in West Philadelphia, Northeast Philadelphia, and Northwest Philadelphia. The College offers more than 70 associate's degree, academic and proficiency certificate, and workforce programs. Graduates continue to strengthen Philadelphia's local economy and workforce, both in Philadelphia and the Greater Philadelphia region.

The College enables students to embark on a smart path to a bachelor's degree program, with transfer agreements and partnerships to assist in the transition. In the 2015-16 academic year, approximately 30,194 students took credit and noncredit courses. The College is embarking on an expansion of its West Philadelphia Campus, to expand its Automotive Center and to establish a Workforce Campus with a new $20 million facility in the heart of Philadelphia's Promise Zone.

The College is one of 30 community colleges in the nation to undertake a new Career Pathways model under which it has expanded its dual enrollment programs, including establishing the first Middle College in the Commonwealth, with the School District of Philadelphia. Upon completion of high school, enrolled students will receive both a high school degree and an associate's degree.

The College has vastly expanded its role in workforce development and economic innovation, establishing a division that is responsible for working directly with Philadelphia employers to meet their workforce hiring and professional development needs. The College has established new post-secondary programs matched with Philadelphia's high priority occupations enabling Philadelphians to earn family sustaining wages without a degree.

Family and Household Income

Table 8 shows median family income, which includes related people living together, and Table 9 shows median household income, which includes unrelated individuals living together, for Philadelphia, the MSA, the Commonwealth and the United States. Over the period 2008-2017, median family income for Philadelphia increased by 9% (see Table 8), while median household income increased by 10.8% over the period 2008-2017 as a result of an influx of higher income households (see Table 9).

Table 8
Median Family Income* for Selected Geographical Areas, 2008-2017
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2008	$46.40	$77.60	$63.30	$63.40	73.19%
2009	$45.70	$76.90	$62.20	$61.10	74.96%
2010	$43.10	$74.50	$61.90	$60.60	71.12%
2011	$42.70	$75.70	$63.30	$61.50	69.43%
2012	$44.30	$77.00	$65.10	$62.50	70.88%
2013	$44.60	$78.20	$66.50	$64.00	69.69%
2014	$47.00	$80.60	$67.90	$65.90	71.32%
2015	$49.30	$83.00	$70.20	$68.30	72.18%
2016	$50.30	$84.80	$72.30	$71.10	70.76%
2017	$50.40	$86.20	$72.70	$70.90	71.09%
Change 2008-2017	$4.00	$8.60	$9.40	$7.50	

* Includes related people living together.
Source: 2017 American Community Survey 1-Year Estimates

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Table 9
Median Household Income* for Selected Geographical Areas, 2008-2017
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2008	$37.00	$60.90	$50.70	$52.00	71.15%
2009	$37.00	$60.10	$49.50	$50.20	73.71%
2010	$34.40	$58.10	$49.30	$50.00	68.80%
2011	$34.20	$58.30	$50.20	$50.50	67.72%
2012	$35.40	$60.10	$51.20	$51.40	68.87%
2013	$36.80	$60.50	$52.00	$52.30	70.36%
2014	$39.00	$62.20	$53.20	$53.70	72.63%
2015	$41.20	$65.10	$55.70	$55.80	73.84%
2016	$41.40	$66.00	$56.90	$57.60	71.88%
2017	$41.00	$66.30	$57.00	$57.70	71.06%
Change 2008-2017	$4.00	$5.40	$6.30	$5.70	

* Includes unrelated people living together.
Source: 2017 American Community Survey 1-Year Estimates

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Cost of Living Index

Philadelphia has the second lowest cost of living index among major cities in the Northeast, as shown in Table 10 below. Additionally, the City's Wage, Earnings, and Net Profits Tax Rates have decreased in each of Fiscal Years 2013-2019. See "REVENUES OF THE CITY – Wages, Earnings, and Net Profits Taxes" in APPENDIX A for this Official Statement.

Table 10
2017 Cost of Living Index
Philadelphia Indexed to 100

City	Cost of Living Index
New York	192
San Francisco	150
D.C.	126
Boston	125
Seattle	122
Los Angeles	120
Philadelphia	100
Chicago	100
Baltimore	97
Denver	93
Dallas	85
Atlanta	83
Austin	82
Detroit	80
Pittsburgh	79

Source: Council for Community and Economic Research (C2ER), Cost of Living Index (COLI)

Housing

Growing rapidly from its founding in 1682, Philadelphia's historic housing stock reflects its past roles as the largest city in the British Empire and as "the workshop of the world" during the peak of the industrial revolution. However, its condition and age (among the oldest of any city in the country) is also a reflection of the decades of depopulation and abandonment that marked the second half of the 20th Century. Nevertheless, Philadelphia has undergone a significant revitalization in the most recent decades, particularly in the neighborhoods within and around its downtown core. The period between the 2000 and 2010 Censuses was the first wherein Philadelphia experienced a net population increase since 1940 to 1950, due both to rapid growth in the number of higher income households in these core neighborhoods and to a significant influx in the foreign-born population in more peripheral neighborhoods of the City.

The City's population growth has driven significant new construction and investment in many of its neighborhoods resulting in increases in the value of the City's housing stock. Most housing indicators for Philadelphia indicate an upward outlook, in terms of prices, construction, and sales, for the near future. Nevertheless, the City continues to face significant challenges caused by the persistent problems of poverty, crime, underperforming schools, and lack of employment opportunities.

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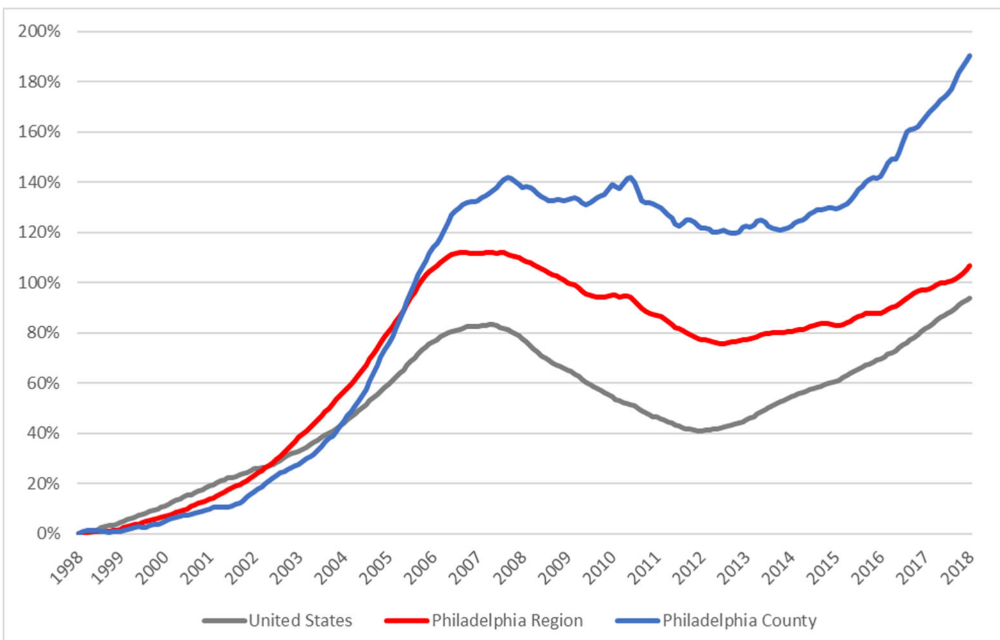
The total housing stock, measured by the number of units, increased by 0.7% from 2010-2016, for a total of 674,500 in 2016.[3] This increase of 4,500 units is the result of a net increase of 6,000 multifamily units and 500 "other" units (such as mobile homes and boats), off-set by a net loss of 2,000 single-family homes (due to multifamily conversions and demolitions).[3] The homeownership rate in the City in 2016 was 52.1%, which represents a decline from 54.1% in 2000.[3] Accordingly, properties in the City have continued to command higher rents, with the median monthly rent in June 2018 equal to $1,214, representing a 10.9% increase over the prior five-year period.[4]

Home Prices

As shown in the chart below, after eight years of moderate house price deflation following the peak of the 2007 recession, Philadelphia's housing market began posting rapid increases in prices, citywide, starting in 2013. In 2015, home values in Philadelphia recovered to their pre-recession peak and have continued to climb to 20% above that peak as of January 2018. The following chart uses the Home Value Index to chart changes in home values in Philadelphia, the Philadelphia region, and the U.S. as a whole over the 20-year period from February 1998 through January 2018.[5]

Percent Change in Median Nominal Home Value (Zillow Home Value Index), 1998-2018



Source: Zillow Research, ZHVI Time Series

In the first years shown in this chart, housing values in Philadelphia were not only lower than the region and country as a whole, in nominal terms, but they also grew at a lower rate. From 2002 to 2007, however, the rate of growth in the City's home values significantly outpaced these comparison regions. Although home values in the City stagnated and declined for eight years, after hitting a peak in 2007, the housing market in Philadelphia retained a much greater share of its pre-recession gains during this period than did either the region or country as a whole. Since then, Philadelphia's housing market has surged,

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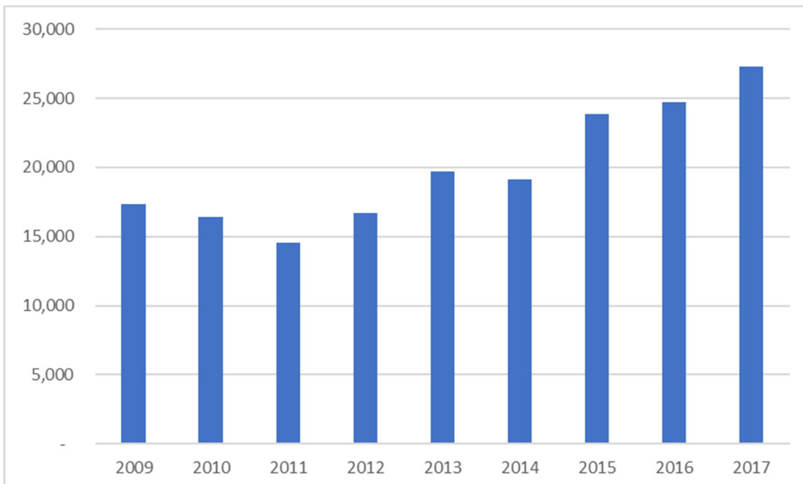
[3] US Census Bureau, American Communities Survey, 1-Year Survey
[4] Zillow Research, ZRI Time Series
[5] Zillow Research, ZHVI Time Series

such that, in nominal terms, housing values within the City have nearly tripled since 1998, a rate of growth that is more than 50% greater than the rest of the country.

Home Sales

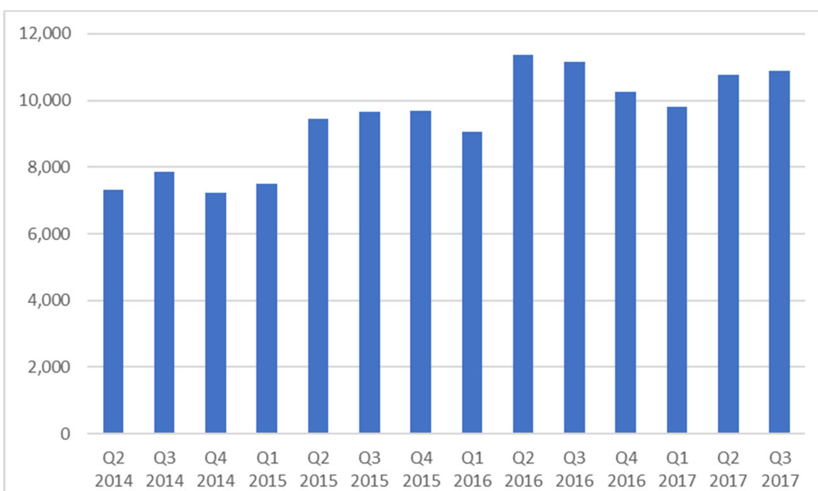
Another indicator of the housing market's recovery is home sales. The following chart shows the annual number of home sales in Philadelphia since 2009. Like prices, home sales dropped significantly following the 2007 recession, but have, seasonal variations notwithstanding, steadily increased since 2011. In 2017, there were 27,327 home sales, nearly double their post-recession nadir of 2011 of 14,542. This trend reflects a recovery of the City's housing market and is likely to continue as the significant increment of new housing construction (described below) is absorbed.

Home Sales in Philadelphia, 2009-2017



Source: Zillow Research, Home Sales Time Series

Home Sales in Philadelphia, April 2014 through September 2017

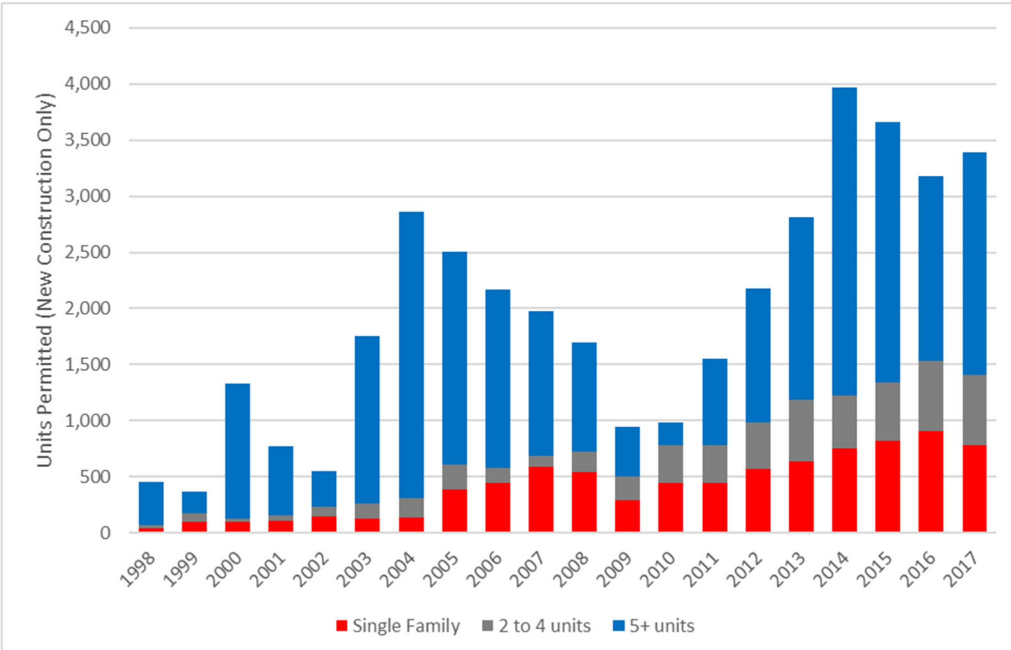


Source: Philadelphia Department of Revenue

Home Construction

Home building activity in Philadelphia has also made significant progress since hitting its recessionary low in 2009. The following chart shows the number of newly constructed units being added to Philadelphia's housing stock, as represented by the number of building permits issued for such units, from 1998 through 2017.

Building Permits Issued in Philadelphia, New Construction Only (Number of Units by Building Type), 1998-2017



Source: US Census, Building Permits Survey

Prior to 2000, construction of new housing units in Philadelphia was low by both absolute and relative measures, averaging only 507 units per year in the decade from 1990 through 1999. However, since 2003, permits for new construction have not been for less than 947 units in any single year, including during the nadir of the 2007 recession. In 2014, permits were issued to approve the construction of nearly 4,000 new housing units in Philadelphia—an all-time high. Notably, these data do not include additions or substantial alteration to existing buildings, which together account for nearly a third of all new housing units in Philadelphia from 2013 to 2017, based on permit issuance data from the Department of Licenses and Inspections. Although total permitting activity declined in 2015 and 2016, recovering somewhat in 2017, total residential development activity remains quite high, and it appears there is continued population growth in the City's metropolitan core.

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Office Market

The City currently has approximately 48.0 million square feet of office space in the Central Business District ("CBD"), with an additional 149,828 square feet under construction according to Jones Lang LaSalle's ("JLL") statistics for the first quarter of 2019.

The average direct asking rental rates in the City's CBD rose slightly to $32.21 per square foot in the first quarter of 2019. Markedly, the City's CBD enjoys rising rents with low overall total vacancy, while its suburban counterparts have higher overall total vacancy and lower rents during the same period, at 15.0% and $27.42 per square foot.

Table 11 shows comparative overall first quarter 2019 office vacancy rates for selected office markets.

Table 11
Total Office Vacancy Rates of Selected Office Markets
First Quarter 2019

Market	Vacancy Rate
San Francisco	6.0%
New York	7.5%
Seattle	9.4%
San Diego	11.6%
Austin	11.9%
Charlotte	12.3%
Boston	13.1%
Philadelphia	**13.8%**
Baltimore	14.1%
Los Angeles	14.4%
United States CBD, All Markets	14.7%
San Antonio	15.9%
Chicago	16.1%
Washington, DC	16.6%
Atlanta	18.4%
Phoenix	18.9%
Detroit	19.4%
Cleveland	20.4%
Dallas	20.5%
Houston	23.1%

Source: Jones Lang LaSalle, National CBD Data, First Quarter 2019

ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION

City of Philadelphia Economic Development Mission and Goals

The City's economic development strategy is to (1) spur job-creation by fostering an improved business environment; (2) increase the City's population and visitation; and (3) enhance quality of life within the City. The City partners with numerous quasi-city and private agencies to accomplish these objectives.

The City utilizes several place-based economic development strategies to spur development in Philadelphia. These strategies include: (i) a 10-year real estate tax abatement on all new construction, as well as on improvements to existing properties; (ii) Commonwealth-designated Keystone Opportunity Zones in which eligible businesses may be exempt from all Commonwealth and local business taxes until a specified date; (iii) Commonwealth-designated Keystone Innovation Zones in which energy, defense, technology, and life-sciences companies may be eligible for saleable tax credits worth $100,000 annually for the first eight years of operations; (iv) tax increment financing; and (v) commercial corridor revitalization through support of Business Improvement Districts and reimbursement for certain storefront and interior retail improvements.

The City has also actively worked to raise its profile in the international business community. In 2015, Philadelphia received the designation of the first World Heritage City in the United States by the Organization of World Heritage Cities. In 2015, the City entered into a "sister city" agreement with Frankfurt, Germany, considered the largest financial center in continental Europe. This agreement is Philadelphia's first sister city since 1992. In recent years, the City has hosted delegations of business leaders and officials on trade missions to the United States and participated in trade missions to Germany, France, Portugal, China, South Korea, and Canada. In 2018, a website was launched, philadelphiadelivers.com, which showcases all that the City has to offer businesses including location, talent, affordability, and amenities. Also in 2018, Philadelphia was one of four cities selected by the Brookings Institute to join the Global Identity Cohort. As such, more than 80 local stakeholders have been engaged to begin crafting a shared brand and narrative around Philadelphia in order to attract residents, businesses and events.

City and Quasi-City Economic Development Agencies and Related Programs

City of Philadelphia Department of Commerce

The mission of the Department of Commerce is to (i) ensure that Philadelphia is a globally-competitive city where employers hire, entrepreneurs thrive, and innovation abounds; (ii) recruit and retain a diverse set of businesses; (iii) foster economic opportunities for all Philadelphians in all neighborhoods; and (iv) partner with workforce development programs and local businesses on talent development with the goal of ensuring that all Philadelphians can find and retain living-wage jobs. The Department of Commerce has three major divisions: Neighborhood & Business Services; Office of Business Development and Office of Economic Opportunity.

City of Philadelphia Department of Planning and Development

The Department of Planning and Development ("Planning and Development") oversees all planning, real estate development support, and commissions such as the Historical Commission, Planning Commission, Art Commission and Civic Design Review. Planning and Development also oversees all housing initiatives and plays a key role in community development.

Philadelphia Industrial Development Corporation ("PIDC")

PIDC is a non-profit organization founded by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce in 1958. PIDC offers flexible financing tools, a targeted portfolio of industrial and commercial real estate, and expertise to help clients invest, develop, and grow in Philadelphia. PIDC also structures and invests in public-private partnerships for key City policy areas and development priorities. Over the past 60 years, PIDC and its affiliates have settled over 7,300 transactions, including more than $16.6 billion in financing that has leveraged over $29 billion in total investment and assisted in creating and retaining hundreds of thousands of jobs in Philadelphia. Its direct loan and managed third-party portfolio at year-end 2018 was more than $668 million, representing 495 loans.

Philadelphia Redevelopment Authority ("PRA")

In 1945, the Commonwealth enacted the Urban Renewal Law and created the PRA as the City's urban renewal agency. Today, the PRA continues its role as a key financer, project manager, leader, and expert of developing and maintaining land in the City. The PRA is one of five municipal land holding agencies. Its Real Estate Division facilitates the redevelopment of PRA assets and it provides project management and analysis for real estate sales, acquisitions, redeveloper agreements, developer submissions, and required approvals. Its Housing Department leads the underwriting and loan closing process for all affordable housing projects within the City and works primarily with non-profit and for-profit developers as a lender.

Philadelphia Land Bank ("PLB")

Established in 2013, the PLB is a new institutional partner in land use. The aim of the PLB is to consolidate many of the land acquisition and disposition processes of the City under one umbrella, making it easier for private individuals and organizations to acquire properties that otherwise contribute to neighborhood disinvestment and turn them into assets for the community in which they are located. The PLB can: (i) consolidate properties owned by multiple public agencies into single ownership to speed property transfers to new, private owners; (ii) acquire tax-delinquent properties through purchase or by bidding the City's lien interests at a tax foreclosure; (iii) with consent of the City, clear the title to those properties so new owners are not burdened by old liens; and (iv) assist in the assemblage and disposition of land for community, non-profit, and for-profit uses.

The Division of Housing and Community Development ("DHCD")

DHCD, formerly known as the Office of Housing and Community Development and now part of Planning and Development, manages planning, policy, and investment in low-income housing through several assistance programs. Most significantly, the DHCD creates and manages implementation of the Consolidated Plan, a federally-mandated plan and budget that must be updated yearly in order to receive federal Community Development Block Grant funding.

The Philadelphia Housing Authority ("PHA")

PHA is funded primarily by the federal government and is the largest landlord in Pennsylvania. PHA develops, acquires, leases and operates affordable housing for City residents with limited incomes. PHA works in partnership with the City and Commonwealth governments, as well as private investors. Over 93% of PHA's annual budget is funded directly or indirectly by the U.S. Department of Housing and Urban Development, and most of the balance of PHA's budget is derived from resident rent payments. Neither PHA's funds nor its assets are available to pay City expenses, debts, or other obligations, and the City has no power to tax PHA or its property. Neither the City's funds nor its assets are subject to claims for the expenses, debts, or other obligations of PHA.

Rebuilding Community Infrastructure Program ("Rebuild")

The Rebuild program, using funds from the Philadelphia Beverage Tax, will invest hundreds of millions of dollars in Philadelphia's parks, recreation centers, and libraries over a seven-year period. Rebuild prioritizes sites in high-need neighborhoods, as well as sites that are in extremely poor condition. This program is intended to catalyze economic development in some of Philadelphia's most impoverished communities and neighborhoods. Rebuild is not only committed to making transformative capital improvements in neighborhood public and shared spaces, but will also strive to build capacity and opportunities for minority and women-owned businesses and job opportunities for local residents. In November 2018, the Philadelphia Authority for Industrial Development issued $79,460,000 in City Service Agreement Revenue Bonds to finance certain costs of the Rebuild program.

Key Commercial Districts and Development

Over the last two decades the efforts of Philadelphia's economic development agencies and others have spurred significant economic revitalization throughout the City. In particular, a number of geographic areas have experienced concentrated developments: Philadelphia's Historic District, Avenue of the Arts, North Broad Street, and the Benjamin Franklin Parkway. Many of these developments, such as a significant increase to Philadelphia's hotel room inventory in Center City and expansion of the Pennsylvania Convention Center, are key to the growth of Philadelphia's leisure and hospitality sector. Several key areas within the City have been instrumental in the economic and commercial development of Philadelphia over the past twenty-five years and the population growth since 2000. Recent and current developments in the key commercial districts described below are listed in Table 12.

Center City

A district that has seen a resurgence over the last two and a half decades, Center City is Philadelphia's central business and office region within the City. Center City is the strongest employment center in the City. In addition, the area contains a sizeable residential population and provides ample access to retail, dining, arts and culture, entertainment, and mass transportation services, to both residents and daily commuters. Center City is flanked by neighborhoods that are considered "Greater Center City." Approximately 309,000 riders take public transit into Greater Center City every weekday. Over the last two decades, as there has been an influx of new businesses and residents in these neighborhoods, the boundaries of Greater Center City have moved significantly further North and South, with the Delaware and Schuylkill rivers remaining boundaries on the East and West.

Old City

Old City is home to some of the country's oldest historical assets and is considered America's "most historic square mile." Independence National Historical Park is an international destination, attracting 3.6 million visitors annually. Important culturally and economically, Old City is also home to world-class museums, theaters and art galleries. The neighborhood offers excellent hotels, a wide range of dining and nightlife establishments, independent retailers and a diverse mix of technology, media, professional, and service organizations. Some 8,000 residents live in historic townhouses, industrial loft apartments, and new condominium properties. Old City is located within a Keystone Innovation Zone, meaning that technology, energy, and life sciences businesses may be eligible for up to $100,000 in tax credits.

Old City District ("OCD") is a business improvement district that promotes the area and fosters economic development locally. OCD helps companies find suitable real estate and actively promotes the sector to attract businesses. Over the last few years, technology and creative businesses have established an increasingly important presence in the area.

University City

Located west of Center City, University City is a hub for the health care, life sciences, and higher education sectors and accounted for approximately 11% of the City's employment in 2017. It includes the campuses of Penn, Drexel University, University of the Sciences, the University of Pennsylvania Health System, the Children's Hospital of Philadelphia, and The Wistar Institute, as well as the University City Science Center, a biomedical incubator. University City has experienced significant real estate development, driven mostly through the investment of its universities and research institutional anchors.

Penn built the $88 million Singh Center for Nanotechnology in 2013 and is investing $127 million in a new residence hall called New College House at Hill Field. Drexel University invested nearly $300 million in University City in 2013, and is planning for an additional $3.5 billion over 20 years in the development of Schuylkill Yards in partnership with Brandywine Realty Trust. Such project will develop 14 acres of underutilized land near Philadelphia's 30th Street Station into an innovation neighborhood, which will feature a mix of entrepreneurial spaces, educational facilities and research laboratories, corporate offices, residential and retail spaces, hospitality and cultural venues and public open spaces.

The Navy Yard

The Navy Yard is a 1,200 acre mixed-use office, research and industrial park with over 13,000 people working on site across 150 companies. The Navy Yard has diverse tenants such as Philly Shipyard, one of the world's most advanced commercial shipbuilding facilities; the global headquarters for retailer Urban Outfitters, Inc.; a 208,000 square foot, double LEED Platinum corporate office for pharmaceutical company GlaxoSmithKline; and a LEED Silver bakery facility for the Tasty Baking Company. More than 7.5 million square feet of space is currently occupied or in development with significant additional capacity available for office, industrial, retail and residential development.

PIDC and its partners released an updated Navy Yard master plan in 2013, detailing a comprehensive vision for the Navy Yard. The plan calls for a total of over 13.5 million square feet of new construction and historic renovation supporting office, research and development, industrial and residential development, complemented with commercial retail amenities, open spaces and expanded mass transit. Under such plan, the fully built out Navy Yard would support more than 30,000 employees and over $3 billion in private investment. PIDC continues to work on this long-term plan for the Navy Yard.

The Navy Yard continues to grow bringing it closer to its strategic targets. Since 2000, the Navy Yard has leveraged more than $150 million in publicly funded infrastructure improvements to spur more than $750 million in new private investment.

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Table 12

Recently Completed Projects or Projects Under Construction in the Key Commercial Districts

Project Name, by Neighborhood	Project Type	Cost in Millions	Est. Completion Date
CENTER CITY			
The Sterling – Redevelopment	Residential	$75	Completed 2017
One Riverside	Residential	$130	Completed 2017
View 32 - 3201 Race Street	Residential	$56	Completed 2017
1213 Walnut	Residential	$125	Completed 2017
East Market (formerly Girard Square)	Mixed Use	$400	Completed 2018
Comcast Innovation and Technology Center	Commercial/Hotel	$1,200	Q3 2019
Park Towne Place – Redevelopment	Residential	$200	Completed 2018
2400 Market	Commercial	$230	Completed 2019
National Building	Residential	$23	Completed 2018
W Hotel/Element	Hotel	$359	Q4 2019
The Hamilton	Residential	$156	Completed 2018
Fashion District Philadelphia	Commercial	400	Q3 2019
1911 Walnut	Mixed Use	$300	2021
Hanover North Broad	Mixed Use	$50	Completed 2018
SLS Residences	Residential and Hotel	$253	2021
Police Headquarters in Inquirer Building	Public	$300	Q4 2020
NAVY YARD			
Adaptimmune	Commercial	$25	Completed 2017
Axalta R & D Facility	Commercial	$70	Completed 2017
OLD CITY			
American Revolution Center	Arts & Culture	$101	Completed 2017
205 Race Street	Residential	$65	Completed 2017
500 Walnut	Residential	$174	Completed 2017
218 Arch	Mixed Use	$58	Completed 2017
OTHER NEIGHBORHOODS			
Divine Lorraine	Residential	$43	Completed 2017
Lincoln Square	Mixed Use	$155	Completed 2018
Philadelphia Metropolitan Opera House	Arts & Culture	$56	Completed 2018
UNIVERSITY CITY			
FMC Tower at Cira Centre South	Mixed Use	$385	Completed 2017
CHOP Schuylkill Ave Expansion (Phase 1)	Health Care	$275	Completed 2017
4601 Market	Mixed Use	$250	Q1 2020
Penn Health Tower	Health Care	$1,500	2021
TOTAL		**$7,414**	

Source: Philadelphia Department of Commerce.

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Waterfront Developments

Taking advantage of the City's geographic assets, the Schuylkill River and the Delaware River, the City is redeveloping its waterfront to accommodate a variety of developments, including mixed-use projects and housing, parks and recreational trails, and hotels. These projects improve quality of life for residents and improve the visitor experience, but also are an impetus for environmental remediation and private development of former industrial property within the City.

Delaware River Waterfront Corporation (the "DRWC")

The Delaware River has historically been a center of activity, industry, and commerce, bounded at its north and south ends by active port facilities. The City adopted a Master Plan for the central Delaware River in 2011. DRWC, in partnership with the City, is a nonprofit corporation that works to transform the central Delaware River waterfront into a vibrant destination for recreational, cultural, and commercial activities. Over the last ten years, DRWC has successfully opened four adaptive reuse park projects built on former pier structures, including the newly-renovated Cherry Street Pier in 2018.

DRWC, the City, and the Commonwealth have partnered to redevelop Penn's Landing, a major public space along the Delaware River waterfront. The resulting civic space will leverage investment from private sources for the redevelopment of the adjoining parcels.

Schuylkill River Development Corporation (the "SRDC")

Redevelopment along the Schuylkill River is managed by a partnership among SRDC, the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, Commonwealth, City, and private agencies to coordinate, plan and implement economic, recreational, environmental and cultural improvements, and tourism initiatives on the Schuylkill River. From 1992 to 2017, $70 million was invested by SRDC, the City, and their partners along the tidal Schuylkill to create 3.65 miles of riverfront trails within 30 acres of premiere park space in the heart of the City, and has added amenities to the Schuylkill River Park such as floating docks, fishing piers, a composting toilet, and architectural bridge lighting. SRDC continues to work towards meeting its goal of creating and maintaining trails and green space along the tidal Schuylkill River in Philadelphia.

Since 2005, Philadelphia has benefitted from more than $1 billion in development along the Schuylkill River, with more planned by private developers, universities, and healthcare institutions.

SugarHouse Casino

Philadelphia's first casino, SugarHouse, opened in September 2010. SugarHouse Casino sits on the Delaware River waterfront offering an array of slot machines, table games and dining options. Its operations also include a multi-purpose event space with waterfront views, restaurants, and a parking garage. As of August 2018, SugarHouse had approximately 1,500 employees. As reported to the Pennsylvania Gaming Control Board, SugarHouse's gaming revenue was approximately $299.1 million in Fiscal Year 2018.

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TOURISM AND HOSPITALITY

Philadelphia has experienced a significant increase in tourism over the last decade, fueled by several high profile, global events that the City hosted, notably the 2015 World Meeting of Families, culminating in a papal visit from Pope Francis, and the Democratic National Convention in 2016. In April 2017, Philadelphia hosted the NFL Draft, which is estimated to have brought approximately 250,000 people to Center City. Both business and convention tourism, as well as leisure tourism were at a record high in 2016. In 2016, Lonely Planet named Philadelphia on its top-10 best list of "unexpectedly exciting places to see," and in 2017, Travel and Leisure named Philadelphia as one of the best places to visit in the world.

The Philadelphia Convention and Visitors Bureau ("PHLCVB") books meetings, conventions and sporting events and supports international marketing of Philadelphia overseas. PHLCVB also books domestic group tours. Tourism Economics, an Oxford Economics Company, reported that international visitors from overseas to Philadelphia in 2017 numbered more than 648,000, spending $651 million generating $1.1 billion in total economic impact to the Philadelphia region. According to the same source, Philadelphia ranks as the 16th most visited city in the U.S. by overseas travelers. Philadelphia's international visitation has seen significant growth over the past decade, a 18% growth in overseas travelers since 2007 (up from 549,000 in 2007).

The PHLCVB currently has 892 meetings, conventions, and sporting events booked for future years. These groups will bring a total of 3.1 million attendees to Philadelphia consuming 3.7 million room nights.

Visit Philadelphia markets Philadelphia domestically, as well as in Canada and Mexico, to promote leisure travel. Philadelphia has attracted more overnight leisure travelers than ever before and Center City hotels reached a landmark 1 million leisure room nights in 2016. Further, several big and new-to-the-city brands are entering the market, along with smaller boutique hotels. Leisure hotel room stays have increased 334% since 1997 and in 2017 the estimated economic impact of leisure travel to the region was $11.5 billion according to the Visit Philly 2018 Annual Report.

Table 13
Greater Philadelphia Visitor Growth, 1997-2017
(In Millions)

	1997	2017	Net Change	% Change
Total Visitation	26.7	43.3	16.6	62%
Leisure- Overnight	7.3	15.1	7.8	107%
Leisure- Day	15.5	23.1	7.6	49%
Business- Overnight	1.4	2.3	0.9	64%
Business- Day	2.5	2.8	0.3	12%

Source: Visit Philadelphia Annual Report, 2018

Philadelphia has seen an influx in new hotel development, with numerous new developments underway or confirmed. Since 2015, there has been notable hotel development in the City, representing over $1 billion in investment. The number of hotel rooms available in the City in 1993 was 5,613, with occupancy at 65%. In 2017, the City's hotel room inventory was 16,334 rooms, with occupancy at 76.6%%. Several hotel projects are currently under development, which will increase hotel room inventory by close to 2,000 rooms.

Museum and Cultural Centers

Crucial to tourism is the City's robust arts and culture sector. One in three tourists who come to Center City cite museums and cultural events as the primary reason for their visit. Top attractions in Philadelphia include Independence National Park, the Philadelphia Museum of Art, the Philadelphia Zoo, and Reading Terminal Market.

Organizations like the Philadelphia Museum of Art, the Kimmel Center, FringeArts, and more than 400 smaller cultural organizations throughout the City help improve the quality of life for residents and visitors. The Greater Philadelphia Cultural Alliance reported in 2017 that arts and culture produced $3.4 billion in economic impact and contributed $930 million in household income in the City.

Avenue of the Arts (South Broad Street) Investments

The Avenue of the Arts is located along a mile-long section of South Broad Street between City Hall and Washington Avenue, in the heart of Center City. Reinventing South Broad Street as the Avenue of the Arts, a world class cultural destination, has been a civic goal in Philadelphia for more than two decades. Cultural institutions, the William Penn Foundation, local property owners and civic leaders advanced the idea of a performing arts district on South Broad Street anchored by the Academy of Music and modeled after successful performing arts districts around the country. The Avenue of the Arts became a key element of the City's strategy to strengthen Center City as the region's premier cultural destination and an important element in the City's bid to expand its convention and tourism industries.

The Benjamin Franklin Parkway

Complementing the Avenue of the Arts theater district developments, the Benjamin Franklin Parkway (the "Parkway") is considered the spine of Philadelphia's museum district. Designed by French architect Jacques Gréber, to emulate the Champs Elysées of Paris, the Parkway opened in 1929. It runs from the area of City Hall to the Philadelphia Museum of Art and is a central public space and tourist attraction. Key Parkway features include Love Park (which has undergone major renovations and was reopened in the spring of 2018), the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, The Barnes Foundation, the Free Library of Philadelphia, the Academy of Natural Sciences, the Swann Memorial Fountain, Sister Cities Park, Cathedral Basilica of Saints Peter and Paul on Logan Square, and numerous pieces of public art.

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

Historic District

Key to the City's leisure and hospitality growth is the maintenance and investment in the City's extraordinary historic assets. As the birthplace of the country, Philadelphia remains a major tourist destination year-round, particularly the City's Historic District, which includes various museums and cultural centers, as well as such national treasures as the Liberty Bell, Independence Hall, Carpenters' Hall, the Betsy Ross House and Elfreth's Alley, the Nation's oldest residential street. The City continues to invest in the maintenance and expansion of the Historic District's tourist experience. Such district is expected to remain competitive in the national and international tourism markets for years to come.

North Broad Street and the Philadelphia Convention Center

In 1993, with support from the Commonwealth, the Pennsylvania Convention Center (the "Convention Center") was completed, providing a total of 624,000 square feet of saleable space across its four exhibit halls, ballroom and banquet spaces. In 2011, a $786 million expansion, across 20 acres of central Philadelphia real estate, increased the facility to 2.3 million square feet. It is the largest single public works project in Pennsylvania history.

In 2014, SMG began managing and operating the Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service. In 2016, the Convention Center announced that 2015 was its highest booking year ever with 856,663 bookings, a 1.2% increase from 2014, representing an estimated $1.1 billion in future economic impact.

Following the 2011 expansion of the Convention Center, development efforts in the North Broad Street area increased. Improvements include Lenfest Plaza at the Pennsylvania Academy of Fine Arts and two hotels. Development continues to move north along Broad Street, with significant investment taking place to restore the Berry Building, the Philadelphia Metropolitan Opera House, and the Divine Lorraine Hotel.

South Philadelphia Sports Complex

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

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

Within the South Philadelphia Sports Complex, there is a sports entertainment and dining complex. There are also plans to expand this area to include retail, hotel, and theater space, a casino, a spa, and a conference center.

Retail Market, Food and Dining

In the last five years, the City's retail market has grown substantially, attracting 77 national retailers. With nearly 193,000 residents, 305,000 workers, 3.5 million occupied hotel room nights and 112,000 college students in and around Center City, the market generates more than $1 billion in annual retail demand. More than 1.4 million square feet of retail space is currently under construction with significant development surging east of Broad Street, with some of Philadelphia's most ambitious retail and mixed-use projects.

Market East, an important commercial area between City Hall and the City's Historic District is experiencing significant development. New developments in Market East represent a $910 million investment that is creating a continuous shopping and dining experience from Independence Mall to the major Center City convention hotels, just east of City Hall. The revitalization of this section of the City, containing a major transport hub, is expected to be transformative. Most notably, the planned redevelopment of The Gallery at Market East into Fashion District Philadelphia is one of the biggest developments in the area. In the last several years, there have also been recent improvements along East Market Street, including retail, residential, hotel, and other mixed-use projects.

Complementing the rise of retail in Philadelphia, the City has experienced a revival of restaurant establishments, especially in Center City and Greater Center City, indicating an improved quality of life and vibrancy of those neighborhoods. Increased investment in Center City to beautify the area, as well as the City's support in making the area more welcoming to visitors and diners, has sparked a significant increase in the number of indoor/outdoor dining establishments throughout Center City.

TRANSPORTATION

The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to PHL (as defined herein) and to the surrounding counties. For more information on SEPTA, see "– Southeastern Pennsylvania Transportation Authority" and APPENDIX A – "EXPENDITURES OF THE CITY – City Payments to SEPTA."

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

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

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to other major cities and markets in the United States. According to Amtrak, Philadelphia's 30th Street Station is the third busiest station in the United States. Structural improvements of $30 million were recently completed to the station, and an additional $60 million restoration project is awaiting federal approval.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of Interstate 95 ("I-95"); Interstate 676 (the "Vine Street Expressway"), running east-to-west through the CBD between Interstate 76 (the "Schuylkill Expressway") and I-95; and Interstate 476 (the "Blue Route") in suburban Delaware and Montgomery Counties, which connects the Pennsylvania Turnpike and I-95 and connects to the Schuylkill Expressway, which runs to Center City. In addition, more than 100 truck lines serve the Philadelphia area.

The City is served within city limits by numerous private buses and shuttles. These buses and shuttles are operated by apartment complexes, universities, and private companies. These buses and shuttles connect Philadelphians to transit hubs, employment, and residences. A rail line reaches PHL in less than 20 minutes from the City's central business district and connects directly with the commuter rail network and the Pennsylvania Convention Center.

Philadelphia launched the Indego bike share program, sponsored by Independence Blue Cross, in April 2015. The system launched with 600 bicycles and 70 stations throughout the City from Temple University in North Philadelphia to Tasker Street in South Philadelphia and from the Delaware River on the east to 44th Street in West Philadelphia. Indego is the first bike share system in the United States to launch with a cash payment option for members. In 2017, the City expanded Indego to 1,100 bicycles and 121 bike share stations, with stations as far north as Dauphin Street in Kensington, as far south as McKean Street in South Philadelphia, and as far west as 52nd Street. In 2017, 780,000 trips were taken.

Southeastern Pennsylvania Transportation Authority

SEPTA operates facilities across the PMSA, encompassing approximately 2,200 square miles and serving approximately 4.1 million inhabitants. SEPTA operates service 24 hours a day, seven days a week, 365 days a year. A significant segment of the region relies on SEPTA for public transportation and annual SEPTA ridership totaled more than 302.7 million in Fiscal Year 2018.

SEPTA's operations are accounted for in three separate divisions, the percentages following each division representing its approximate share of SEPTA's expense budget: City Transit (66%); Regional Rail Division (25%); and Suburban (9%). The City Transit Division serves the City with a network of 89 subway-elevated, light rail, trackless trolley and bus routes, providing approximately 852,000 unlinked passengers trips per weekday. The Regional Rail Division serves the City and the local counties with a network of 13 commuter rail lines providing approximately 120,000 passenger trips per weekday.

SEPTA continues to rehabilitate and replace critical infrastructure and systems, such as substations, bridges and stations. Its long-term capital program includes (i) safety and security enhancements, (ii) modernization of communication, signal equipment, and fare collection systems, (iii) replacement of rail vehicles that have exceeded their useful life, (iv) enhancing accessibility, (v) expanding capacity to address ridership growth, (vi) expanding its fleet of hybrid buses, and (vii) performing vehicle overhauls to optimize vehicle performance.

Airport System

The Airport System serves residents and visitors from a broad geographic area that includes eleven counties within four states: Pennsylvania, New Jersey, Delaware, and Maryland. The Airport System consists of the Philadelphia International Airport ("PHL" or the "Airport") and Northeast Philadelphia Airport ("PNE").

Philadelphia International Airport

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked the twentieth busiest airport in the United States, serving 29.6 million passengers in calendar year 2017. PHL is located approximately seven miles from Center City on approximately 2,584 acres.

PHL has four runways, consisting of two parallel runways, a crosswind runway, and a commuter runway, as well as interconnecting taxiways. PHL's terminal facilities consist of seven terminal units, totaling approximately 3.2 million square feet. Such terminal facilities include ticketing areas, passenger and baggage screening areas, passenger hold rooms and other amenities, baggage claim areas, approximately 175 food, retail and service establishments, and other support areas. PHL also has six active cargo facilities, a variety of support buildings, training areas, an air traffic control tower, a fixed-base operator, corporate hangars, a fueling supply facility, two American Airlines aircraft maintenance hangars, and a first-class office complex.

Outside of the PHL terminal area, there are a 14-story, 419-room hotel, seven rental car facilities, a 150-vehicle cell-phone lot, and two employee parking lots with more than 4,000 spaces. Such area also includes five parking garages and surface lots consisting of more than 18,900 vehicle spaces, operated by the Philadelphia Parking Authority.

The current Airport-Airline Use and Lease Agreement (the "Airline Agreement") between PHL and the airlines began July 1, 2015 and has a five-year term with options for two one-year extensions. The Airline Agreement was approved by City Council in June 2015.

Capital Development. The Airport System's long-term capital program includes (i) terminal and landside improvements, (ii) airfield improvements, (iii) security and information technology improvements, and (iv) land acquisition and ground transportation improvements, among other things.

PHL Passenger and Other Traffic Activity. The table below shows PHL passenger and cargo activity. In Fiscal Year 2018, PHL enplaned passenger traffic increased by 3.0%, domestic enplanements increased by 3.6%, international enplanements decreased by 1.2%, and total cargo traffic increased by 13.8%.

	Fiscal Year 2018	**Fiscal Year 2017**
Domestic Enplanements	13,238,844	12,775,958
International Enplanements	2,006,609	2,030,924
Total Enplanements	15,245,453	14,806,882
Freight (US tons)	487,086	424,009
Mail (US tons)	23,344	24,659
Total (US tons)	510,430	448,668

Northeast Philadelphia Airport

PNE is located approximately ten miles northeast of Center City on approximately 1,126 acres. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. PNE currently has no scheduled commercial service. There are a variety of hangars (corporate and general aviation) at PNE. There are approximately 175 general aviation aircraft based at PNE. The Airport System's long-term capital program includes PNE improvement projects.

Port of Philadelphia

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

The Philadelphia Regional Port Authority (the "PRPA") reported approximately 6.3 million metric tons of cargo moved through the Port in 2016, the second year of more than 6 million tons of cargo in a single calendar year, representing a 2.7% increase over 2015. The Port is the top-ranked port for meat importing in the United States, and is among the nation's leaders for fruit, cocoa, forest products and steel imports. In December 2015, the PRPA secured a new shipping service that will link directly with burgeoning port operations on the Gulf of Mexico at Veracruz and Altamira. This service will target commodities including goods such as avocados, lemons, tomatoes and commercial cargo.

As part of an ongoing project, the PRPA is working to increase the Port's competitiveness by increasing capacity by deepening the main channel of the Delaware River from 40 to 45 feet. In November 2016, the Governor announced $300 million in Commonwealth funding to significantly expand the Port's facilities and double its capacity by 2020. Improvements will double container and auto capacity at the Port and increase the Port's ability to handle wood pulp, a food grade commodity.

KEY CITY-RELATED SERVICES AND BUSINESSES

Water and Wastewater

The water and wastewater systems of the City are owned by the City and operated by the City's Water Department (the "Water Department"). The water and wastewater systems are referred to herein individually as the "Water System" and "Wastewater System", respectively.

The Water System's service area includes the City and has one wholesale water service contract. Based on the 2017 U.S. Census Bureau estimate, the Water System served 1,580,863 individuals.

As of June 30, 2018, the Water System served approximately 480,000 active customer accounts using approximately 3,100 miles of mains and approximately 25,000 fire hydrants.

The City obtains approximately 58% of its water from the Delaware River and the balance from the Schuylkill River. The City is authorized by the Pennsylvania Department of Environmental Protection (the "PaDEP") to withdraw up to 423 million gallons per day ("MGD") from the Delaware River and up to 258 MGD from the Schuylkill River. On September 27, 2016, the PaDEP issued the Water Department a new water allocation permit, which expires on September 27, 2041. Under the new permit, the amount the City is authorized to withdraw from each river has not changed.

Water treatment is provided by the Samuel S. Baxter Water Treatment Plant on the Delaware River and by the Belmont and Queen Lane Water Treatment Plants on the Schuylkill River. The combined rated treatment capacity of these plants under the Water Department's Partnership for Safe Water procedures is 546 MGD. The combined maximum source water withdrawal capacity from the two rivers that supply these plants is 680 MGD. The excess source water capacity enables higher than normal withdrawal from either river should conditions limit withdrawals from one.

The Wastewater System's service area includes the City and ten wholesale wastewater service contracts. Based on the 2017 U.S. Census Bureau estimate, the Wastewater System served 1,580,863 individuals that live in the City and ten wholesale contracts.

As of June 30, 2018, the Wastewater System served approximately 545,000 accounts, including approximately 50,000 stormwater-only accounts and ten wholesale contracts with neighboring municipalities and authorities.

The Wastewater System consists of three water pollution control plants, the Northeast, Southwest and Southeast water pollution control plants (the "WPCPs"), 19 pumping stations, approximately 3,700 miles of sewers, and a privately managed centralized biosolids handling facility. It includes approximately 1,850 miles of combined sewers, 760 miles of sanitary sewers, 740 miles of stormwater sewers, 13 miles of force mains (sanitary and storm) and 349 miles of appurtenant piping. The three WPCPs processed a combined average of 413 MGD of wastewater in Fiscal Year 2018, have a 522 MGD combined average daily design capacity and a peak capacity of 1,059 MGD.

Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,300 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits.

Parks

The City was originally designed by William Penn and Thomas Holme around five urban parks, each of which remains in Center City to this day. The City's parklands total over 10,300 acres, and include Fairmount Park, the world's largest landscaped urban park at 9,200 acres, Pennypack Park, and the Philadelphia Zoo, the country's first zoo. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell. Under the Rebuild initiative, an estimated $500 million will be invested in Philadelphia parks, recreation centers, playgrounds and libraries in the next several years.

Libraries

The Free Library of Philadelphia, the City's public library system, comprises 54 branches and an extensive online resource system.

Streets and Sanitation

The Philadelphia Streets Department (the "Streets Department") and the divisions within it are responsible for the City's large network of streets and roadways. The City's pavement condition is considered to be a "Fair" pavement condition. In order for the City to maintain its pavement in a state of good repair, local streets should be repaved once every 20 years and arterials should be repaved once every 10 years. This requires approximately 131 miles of paving every year. The pavement program has accumulated a backlog of approximately 1,100 miles since 1996. As a result of the new funding under Act 89, the Streets Department has funds to address long standing state of good repair needs without an additional allocation from the General Fund. During Fiscal Years 2014-2017, the Streets Department invested in critical equipment replacements and began to implement a strategy to address recurring state of good repair needs. This includes critical equipment replacement, street paving and pothole repair, and replacement of traffic control equipment.

The Streets Department is also responsible for the ongoing collection and disposal of residential trash and recyclables, as well as the construction, cleanliness and maintenance of the street system. The streets system in Philadelphia totals 2,575 miles - 2,180 miles of City streets, 35 miles of Fairmount Park roads and 360 miles of state highways. The Highway Unit and Sanitation Division annually collects and disposes of approximately 600,000 tons of rubbish and 125,000 tons of recycling, completes over 48,000 miles of mechanical street cleaning, clears 1,800 major illegal dump sites, and removes over 155,000 abandoned tires.

Sustainability and Green Initiatives

Mayor Kenney continues the City's commitment to make Philadelphia the greenest and most sustainable city in America. To aid in achieving this goal, the Philadelphia Energy Authority has been tasked with improving energy sustainability and affordability in the City and with educating consumers on their energy choices. The City is investing in and evaluating additional options and investing in green infrastructure to better manage storm water reclamation and reduce pollution of the City's public waters. There has been extensive investment in creating more and better public green spaces, such as Love Park in Center City, as well as green spaces along both the Delaware and Schuylkill Rivers. Finally, the City has been taking steps to further reduce automobile traffic, congestion and pollution by making Philadelphia's streets increasingly friendly to bicyclists. The City introduced its new bicycle sharing system, Indego, in 2015, as further described in "TRANSPORTATION." Bicycle share programs have been successfully implemented in other cities worldwide.

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APPENDIX C

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF PHILADELPHIA FOR THE YEAR ENDED JUNE 30, 2018

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City of Philadelphia

PENNSYLVANIA

Founded 1682

Philadelphia Museum of Art Prior to Super Bowl Parade

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

SEAL OF THE CITY OF PHILADELPHIA

PHILADELPHIA MANETO

City of Philadelphia
PENNSYLVANIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

James F. Kenney
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Josefine Arevalo
Chief Accounting Officer

Accounting Office

Jamika Baucom	Eugene McCauley	Amit Shah
Nana Boateng	Leon Minka	Yashesh Shah
Randy Boucher	Rowaida Mohammed	Girgis Shehata
Sharon Donaldson	Raimundo Rosado	Shante Thompson
Isaac Fowowe	Shenika Ruff	Shantae Thorpe
Christal Lewis	Dino Sam	
Gladwin Mathew	Richard Sensenbrenner	

SEAL OF THE CITY OF PHILADELPHIA

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City of Philadelphia
OFFICE OF THE DIRECTOR OF FINANCE
1401 John F. Kennedy Blvd.
Suite 1330, Municipal Services Bldg.
Philadelphia, Pennsylvania 19102-1693

ROB DUBOW
Director of Finance

February 24, 2019

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, 2018. 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, 2018. 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 30.6 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 ten years 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 62.3% and 58.2%, respectively. The annual average unemployment rate has returned to pre-recession levels.

Despite this progress, significant challenges still remain. At 25.7%, 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	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
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%
2008	1,540,351	54,262,716	35,228	7.1%

.

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+. The outlook is stable. S&P states that “the lowered rating reflects our view of the City’s likely longer-term credit trajectory as it continues to address the cost associated with managing its pension pressures and School District of Philadelphia costs.” In addition, on November 9, 2018 Moody’s revised its outlook on the City’s general obligation and tax supported debt to stable from negative. Moody’s states, “the 2018 financials reflect a continued trend of actual results that well exceed budget projections, operating performance that reflects a diverse, vibrant tax base.”

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

City of Philadelphia’s General Obligation Bond Ratings

Fiscal Year End	Moody’s	Standard & Poor’s	Fitch
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-
2009	Baa1	BBB	BBB+

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 October 2018, Philadelphia had 30 major projects recently completed or under construction concurrently, representing over $6.9 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 $2.5 billion in investment across 17 projects across various neighborhoods throughout the City. Commercial developments represent over $1.9 billion invested across 7 projects, the majority of which are concentrated in Center City and the Navy Yard. Projects from higher education and health care institutions in the University City district represent over $2.0 billion in investment.

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 levels recommended by government experts and the City's target of 6% to 8% of General Fund revenues.

In fiscal year 2018, the General Fund ended with a fund balance of $368.8 million, a $179.5 million increase from fiscal 2017. At 8.1% of revenues, the fund balance slightly exceeded the City’s target and was the highest fund balances in the City’s history, reflecting a growing economy and careful financial management. However, the General Fund is projected to end fiscal 2019 with a fund balance of $222.7 million, which is only 4.6% of the City’s projected obligations. This is below the low end of the City’s target of 6% to 8%.

The table below illustrates the City’s General Fund year-end balance for the past 5 years, and also the projected Fiscal Year 2019 year-end balance as noted in the City’s Quarterly City Managers Report (period ending December 31, 2018).

General Fund
Year End Fund Balance (Legal Basis)

Fiscal Year End	Fund Balance	Projected/ Actual
2019	222,650	Projected
2018	368,783	Actual
2017	189,243	Actual
2016	148,315	Actual
2015	151,531	Actual
2014	202,135	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 of approximately 6% to 8% of expenditures for a target fund balance.

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 that 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 FY2019-2023 Five Year Plan includes a continuation of wage and net income cuts resumed in fiscal year 2014 after being suspended during the Great Recession.

Conducting Regular and Comprehensive 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 will reassess and revalue 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 $742 million in FY18 (the all funds total is $782 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 FY19-FY23 Five Year Plan, the sales tax revenues are projected to be worth about $300 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. In addition, the Pension Board has gradually lowered the assumed rate of return to 7.65% 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.

Managing Heath Benefit Costs: Health benefit program costs are one the largest and fastest growing 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 FY2019 Adopted Budget and FY2019-2023 Five Year Plan project that the PBT will generate $78.0 million in FY2019.

For the FY2019-2023 Five Year Plan, the City's contribution to the District includes a significantly larger funding package of $637.4 million 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, 2017. This was the thirty eighth consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

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

Sincerely,

ROB DUBOW
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Philadelphia

Pennsylvania

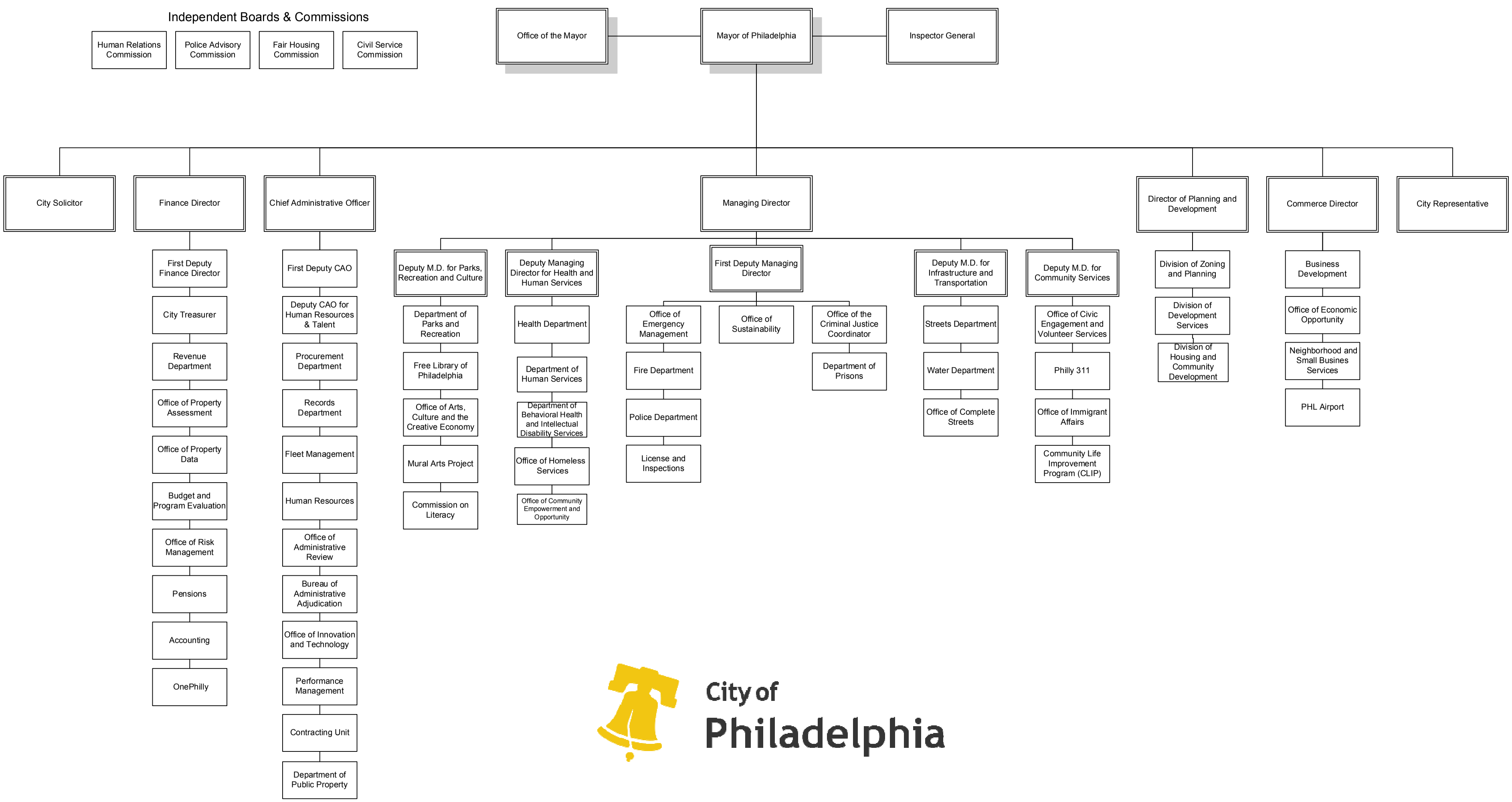
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

City of Philadelphia



City of Philadelphia

Elected Officials

Mayor .... James F. Kenney

City Council
President, 5th District .... Darrell L. Clarke

1st District .... Mark Squilla
2nd District .... Kenyatta Johnson
3rd District.. Jannie L. Blackwell
4th District .... Curtis Jones, Jr.
6th District .... Bobby Henon
7th District .... Maria D. Quinones-Sanchez
8th District .... Cindy Bass
9th District .... Cherelle L. Parker
10th District .... Brian J. O'Neill
At-Large .... Blondell Reynolds Brown
At-Large .... Derek S. Green
At-Large .... William K. Greenlee
At-Large .... David Oh
At-Large .... Helen Gym
At-Large .... Al Taubenberger
At-Large .... Allan Domb

District Attorney .... Lawrence S. Krasner

City Controller .... Rebecca Rhynhart

City Commissioners
Chairwoman .... Lisa M. Deeley
Commissioner.. Al Schmidt
Commissioner.. Anthony Clark

Register of Wills.. Ronald R. Donatucci

Sheriff... Jewell Williams

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 .... Christine Derenick-Lopez
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
Chief Integrity Officer .... Ellen Kaplan
Chief Education Officer .... Otis Hackney
Chief Diversity & Inclusion Officer .... Nolan Atkinson
City Representative .... Sheila Hess
Inspector General .... Amy L. Kurland

CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

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, 2018, 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	5%	2%	8%
Business-Type Activities	0%	0%	0%
Aggregate Discretely Presented Component Units	61%	26%	43%
Major Funds	0%	0%	0%
Aggregate Remaining Fund Information	90%	94%	74%

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes I.14. and III.14.A. to the financial statements, in 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principle. As of July 1, 2017, the City's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note III.14.A. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 32, and the required supplementary information other than management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit for the year ended June 30, 2018 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, 2018, 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, 2018, 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, 2018.

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, 2017 (not presented herein), and have issued our report thereon dated February 23, 2018, 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 2017 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2017 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 2017 financial statements. The 2017 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 2017 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 2017 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, 2017.

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 24, 2019

SEAL OF THE CITY OF PHILADELPHIA

PHILADELPHIA MANETO

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, 2018. 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 $5,529.9 million. Its *unrestricted net position* showed a deficit of $9,132.9 million. The major underlying causes of this deficit are the net pension liability ($6,027.1M), the net OPEB liability (1,862.6M), and the outstanding pension obligation bonds ($1,152.1M). This deficiency will have to be funded from resources generated in future years.

- The City's total June 30, 2018 year-end net position decreased by $1,094.1 million from the prior year June 30, 2017 net position. The major cause of this decrease with the implementation of GASB Statement 75, Accounting and Financial Reporting for Post-Employment Benefits other than Pension; which resulted in a prior period adjustment of $1,499.7 million. The governmental activities of the City experienced a decrease of $1,064.6 million, while the business type activities had a decrease of $29.5 million.

- For the current fiscal year, the City's governmental funds reported a combined ending fund balance of $812.6 million, an increase of $376.6 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of $102.2 million, a reduction in the deficit of $176.8 million from last year.

- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned* and *unassigned* components of the fund balance) for the general fund was $322.0 million, of which, $195.0 was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* increased $171.3 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 $368.8 million, as compared to a $189.2 million surplus last year. The increase of $179.6 million was due to an increase in revenues that resulted in an operating surplus of $153.2 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:

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

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 waste water 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 waste water operations, and industrial land bank. These enterprise funds are the same as the business-type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.

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 $5,529.9 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, $2,047.2 million. Although these capital assets assist the City in providing services to its citizens, they are generally not available to fund operations of future periods.

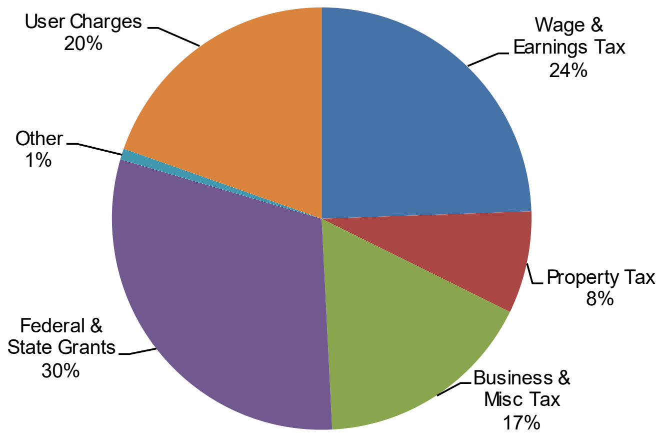
A portion of the City's net position, $1,555.8 million, is subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of $9,132.9 million. The governmental activities reported negative *unrestricted net position* of $8,709.9 million. The business type activities reported an unrestricted net position deficit of $423.0 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		%
	2018	2017	Change	2018	2017	Change	2018	2017	Change
Current and other assets	2,816.8	2,263.5	24.44%	2,033.8	1,846.1	10.18%	4,850.6	4,109.6	18.04%
Capital assets	2,607.5	2,377.0	9.70%	4,598.9	4,348.7	5.75%	7,206.4	6,725.7	7.14%
Total assets	**5,424.3**	**4,640.5**	16.89%	**6,632.7**	**6,194.8**	7.07%	**12,056.9**	**10,835.4**	11.27%
Deferred Outflows	533.0	619.9	-14.02%	107.7	125.7	-14.32%	640.7	745.5	-14.06%
Long-term liabilities	4,676.9	4,361.6	7.23%	3,768.3	3,424.2	10.05%	8,445.2	7,785.8	8.47%
Other liabilities	8,449.8	7,074.5	19.44%	1,218.3	1,123.2	8.47%	9,668.1	8,197.7	17.94%
Total liabilities	**13,126.7**	**11,436.1**	14.78%	**4,986.6**	**4,547.4**	9.66%	**18,113.3**	**15,983.5**	13.32%
Deferred Inflows	102.1	31.2	227.24%	12.1	2.0	505.00%	114.2	33.2	243.98%
Net Position:									
Net Investment in capital assets	645.2	1,006.6	-35.90%	1,402.0	1,330.5	5.37%	2,047.2	2,337.2	-12.41%
Restricted	793.2	553.8	43.23%	762.6	692.5	10.12%	1,555.8	1,246.3	24.83%
Unrestricted	(8,709.9)	(7,767.3)	-12.14%	(423.0)	(251.9)	-67.92%	(9,132.9)	(8,019.2)	-13.89%
Total Net Position	**(7,271.5)**	**(6,206.9)**	-17.15%	**1,741.6**	**1,771.1**	-1.67%	**(5,529.9)**	**(4,435.8)**	-24.67%

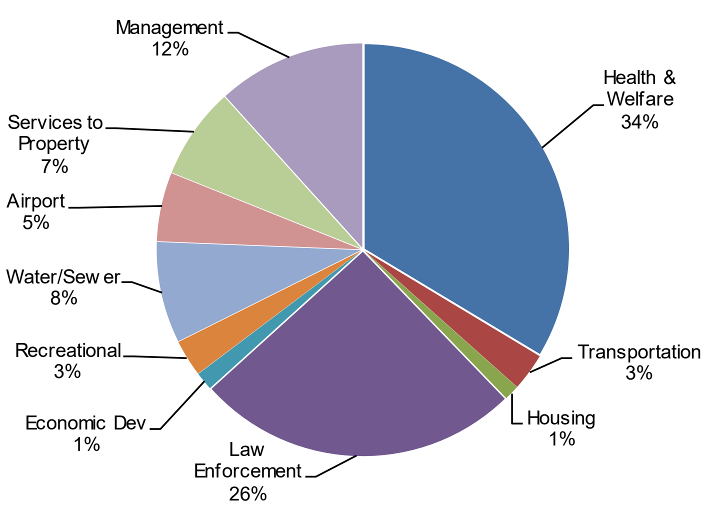
Changes in net position. The City's total revenues this year, $8,295.9 million, exceeded of total costs of $7,905.6 million by $390.3 million. Approximately 49% of all revenue came from wage and earnings taxes, property taxes, business and miscellaneous taxes. State, Federal and local grants account for another 30%, and 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 67% are related to the health, welfare and safety of the general public (See Exhibit II for further breakdown).



Total revenues increased by $475.8 million, total expenses increased by $328.4 million over last year. This resulted in the Change in Net Position, before prior period adjustments, being $147.4 million more than in the previous year. Net positions increased or decreased in the following activities, as noted below:

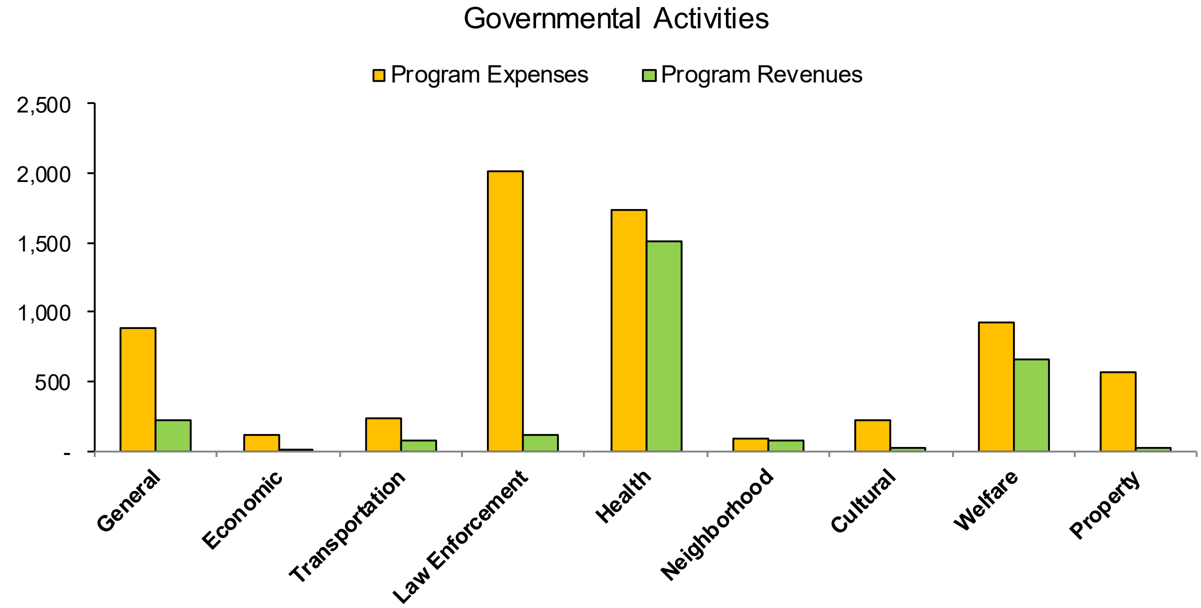
Increases (Decreases) in Revenues	
Charges for Services	$23.9
Operating Grants & Contributions	62.7
Capital Grants & Contributions	23.5
Wage & Earnings Taxes	107.1
Property Taxes	70.3
Other Taxes	145.9
Unrestricted Grants	7.9
Unrestricted Interest	34.5
Total Revenues	$475.8

Increases (Decreases) in Expenses	
Economic Development	$2.3
Transportation	27.4
Judicial & Law Enforcement	77.1
Conservation of Health	40.7
Housing & Neighborhoods	13.2
Cultural & Recreational	8.8
General Welfare	7.6
Services to Taxpayer Property	36.1
General Management	35.8
Interest on Long Term Debt	4.6
Water and Waste Water	29.4
Airport	23.0
Industrial Land Bank	(16.0)
Special Item - Impairment Loss	38.4
Total Expenses	$328.4



Governmental Activities

The governmental activities of the City resulted in a $243.9 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		
	2018	2017	% Change	2018	2017	% Change	2018	2017	% Change
General Welfare	$ 921.0	$ 913.4	0.8%	$ 663.2	$ 639.0	3.8%	$ 257.8	$ 274.4	-6.0%
Judiciary & Law Enforcement	2,013.2	1,936.2	4.0%	117.8	114.1	3.2%	1,895.4	1,822.1	4.0%
Public Health	1,731.5	1,690.8	2.4%	1,505.7	1,497.0	0.6%	225.8	193.8	16.5%
General Governmental	884.8	844.4	4.8%	228.1	195.1	16.9%	656.7	649.3	1.1%
Services to Property	570.6	534.5	6.8%	22.5	17.7	27.1%	548.1	516.8	6.1%
Housing, Economic & Cultural	671.6	619.8	8.4%	182.4	196.0	-6.9%	489.2	423.8	15.4%
	$ 6,792.7	**$ 6,539.1**	3.9%	**$ 2,719.7**	**$ 2,658.9**	2.3%	**$ 4,073.0**	**$ 3,880.2**	5.0%

The cost of all governmental activities this year was $6,792.7 million; the amount that taxpayers paid for these programs through tax payments was $4,080.6 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,290.2 million while those who benefited from the programs paid $429.7 million through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of $236.1 million. The difference of $243.9 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:

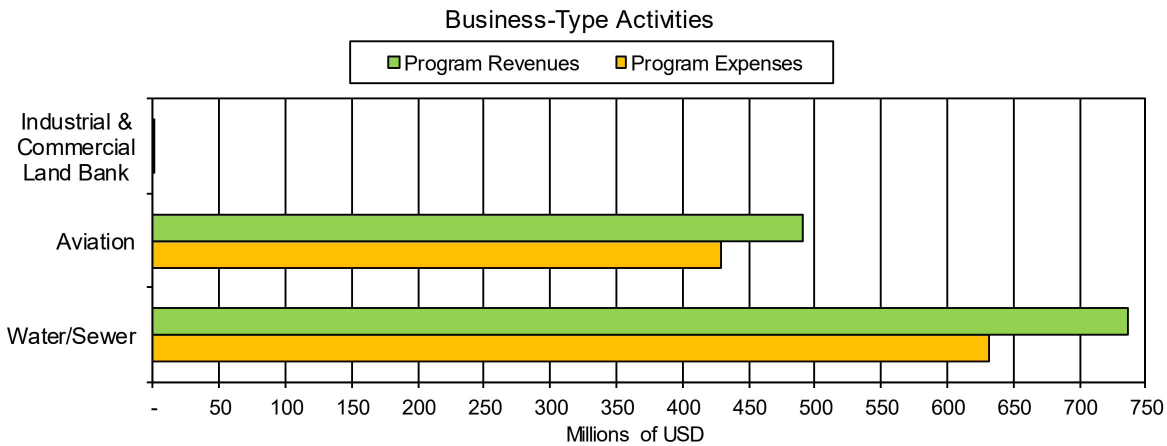
City of Philadelphia-Net Position

(millions of USD)	Governmental Activities 2018	Governmental Activities 2017	Business-type Activities 2018	Business-type Activities 2017	Total 2018	Total 2017
Revenues:						
Program revenues:						
Charges for services	$ 429.7	$ 437.0	$ 1,197.6	$ 1,166.4	$ 1,627.3	$ 1,603.4
Operating grants and contributions	2,262.8	2,199.4	0.6	1.3	2,263.4	2,200.7
Capital grants and contributions	27.3	22.2	29.0	10.6	56.3	32.8
General revenues:						
Wage and earnings taxes	2,027.8	1,920.7	-	-	2,027.8	1,920.7
Property taxes	649.0	578.7	-	-	649.0	578.7
Other taxes	1,403.9	1,258.0	-	-	1,403.9	1,258.0
Unrestricted grants and contributions	191.6	184.5	3.3	2.5	194.9	187.0
Unrestricted Interest and Misc.	49.6	27.4	23.7	11.4	73.3	38.8
Total revenues	**7,041.7**	**6,627.9**	**1,254.2**	**1,192.2**	**8,295.9**	**7,820.1**
Expenses:						
Economic development	113.7	111.4	-	-	113.7	111.4
Transportation	234.5	207.1	-	-	234.5	207.1
Judiciary & law enforcement	2,013.3	1,936.2	-	-	2,013.3	1,936.2
Conservation of health	1,731.5	1,690.8	-	-	1,731.5	1,690.8
Housing & neighborhood development	94.3	81.1	-	-	94.3	81.1
Cultural & recreational	229.0	220.2	-	-	229.0	220.2
Improvement of the general welfare	921.0	913.4	-	-	921.0	913.4
Services to taxpayer property	570.6	534.5	-	-	570.6	534.5
General management	729.1	693.3	-	-	729.1	693.3
Interest on long term debt	155.7	151.1	-	-	155.7	151.1
Water & waste water	-	-	631.1	601.7	631.1	601.7
Airport	-	-	442.9	419.9	442.9	419.9
Industrial land bank	-	-	0.5	16.5	0.5	16.5
Total expenses	**6,792.7**	**6,539.1**	**1,074.5**	**1,038.1**	**7,867.2**	**7,577.2**
Increase (dec.) in net position before transfers & special items	249.0	88.8	179.7	154.1	428.7	242.9
Transfers & Special Items	(5.1)	28.5	(33.3)	(28.5)	(38.4)	-
Increase (dec) in Net Position	**243.9**	**117.3**	**146.4**	**125.6**	**390.3**	**242.9**
Net Position - Beginning	(6,206.9)	(6,324.2)	1,771.1	1,694.9	(4,435.8)	(4,629.3)
Adjustment (1)	(1,308.5)	-	(175.9)	(49.4)	(1,484.4)	(49.4)
Net Position - End	**$ (7,271.5)**	**$ (6,206.9)**	**$ 1,741.6**	**$ 1,771.1**	**$ (5,529.9)**	**$ (4,435.8)**

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

Business-type Activities

Business-type activities resulted in a $146.5 million increase in net position before prior period adjustments. This increase was comprised of an increase in net position for water/wastewater of $84.5 million, an increase to aviation of $62.2 million, and a decrease for industrial & commercial development operations of $0.2 million.



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.

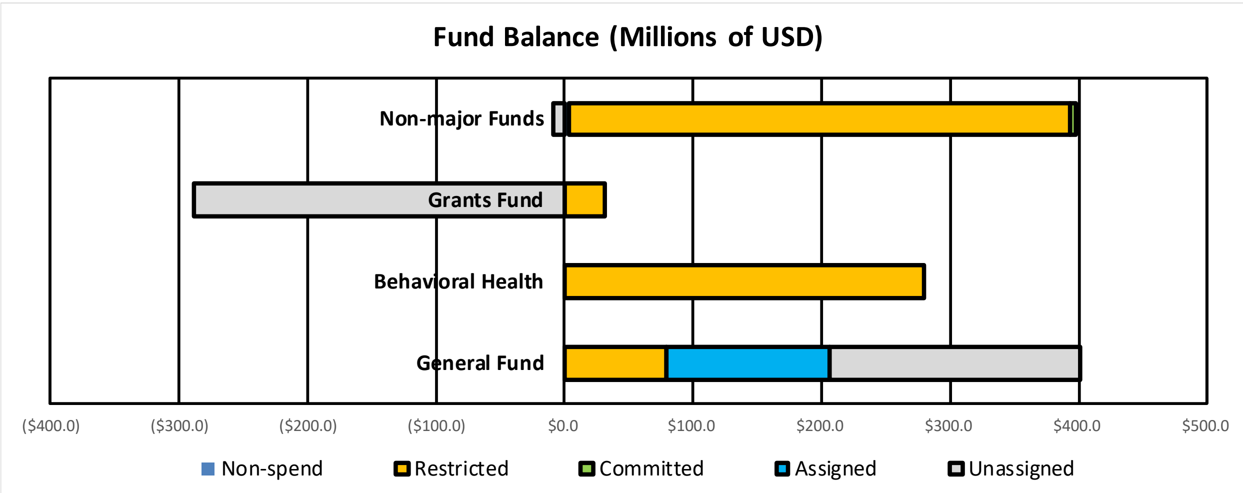
At the end of the fiscal year the City's governmental funds reported a *combined fund balance* of $812.6 million, an increase of $376.6 million over last year. Of the total fund balance, $3.5 million represents *non-spendable fund balance*.

In addition, $779.7 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, for the following proposes:

Neighborhood Revitalization	$	0.2
Economic Development		13.9
Public Safety Emergency Phone System		31.2
Streets & Highways		57.1
Housing and Neighborhood Development		33.3
Health Services		17.4
Behavioral Health		279.4
Parks & Recreation		1.2
Libraries & Museums		3.1
Intergovernmental Financing		24.9
Stadium Financing		5.8
Cultural & Commercial Corridor Project		1.4
Pension Obligation Bonds		21.8
Debt Service Reserve		62.9
Capital Projects		161.0
Affordable Housing Project		44.3
Art Museum Project		11.4
Trust Purposes		9.4
Total Restricted Fund Balance	$	779.7

The fund balance is further broken down as to *committed fund balance* for Prisons $3.5 million and Parks and Recreation $1.1 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of $102.2 million which constitutes *unassigned fund balance,* this deficit must be funded by future budgets.

The general fund, the primary operating fund of the City, reported *assigned fund balance* of $127.0 million and *unassigned fund balance* of $195.0 million at the end of the fiscal year.



Overall, the total fund balance of the General Fund increased by $210.9 million during the current fiscal year, compared to an increase of $57.6 million in the prior fiscal year. Some of the key factors contributing to this change are:

Revenues:

- Total current year revenues ($4,054.3 million) increased between fiscal years, with a $346.2 million (9.3%) increase from the prior fiscal year ($3,708.1 million).
- This increase was primarily due to $317.4 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) ($3,843.4 million) increased between fiscal years, with a $192.9 million (5.3%) increase from prior fiscal year ($3,650.5 million)
- This increase was primarily due to a $72.3 million (3.9%) increase in expenditures related to Judiciary and Law Enforcement (Police, Prisons and the Courts) and $72.7 million (11.3%) increase in expenditures related to General Management and Support.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $279.4 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 $17.1 million.

The Grants Revenue fund has a total fund balance deficit of $257.2 million which is comprised of a positive restricted fund balance of $31.2 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 $288.5 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 $5.5 million during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net position* of the proprietary funds decreased by $29.4 million during the current fiscal year. This decrease is attributable to the water/wastewater system which had a decreases of $23.4 million, airport operations which experienced a decrease of $5.8 million, and industrial & commercial land bank operations which also experienced a decrease of $0.2 million.

The proprietary funds reported an *unrestricted net position* deficit of $423.0 million. The table below indicates the unrestricted net position for the water and waste water operations, the airport, and the industrial and commercial land bank operations for the current and previous fiscal years.

	Unrestricted Net Position (deficit)		
	2018	2017	Change
Water and Waste Water	($379.8)	($243.1)	($136.7)
Aviation	($109.9)	($75.8)	($34.1)
Land Bank	$66.7	$67.0	($0.3)
	($423.0)	($251.9)	($171.1)

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)
2018	$ 368.8	$ 179.6
2017	189.2	40.9
2016	148.3	(3.2)
2015	151.5	(50.6)
2014	202.1	(54.8)

The general fund's budgetary fund balance surplus of $368.8 million differs from the general fund's fund financial statement unassigned fund balance of $195.0 by $173.8 million, which represents the unearned portion of the business income & receipts tax. Business income & receipts tax (BIRT prepays) is received prior to being earned but have 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	**6/30/2018**	**6/30/2017**	**6/30/2016**	**6/30/2015**	**6/30/2014**
Budget Basis Fund Balance	$ 368.8	$ 189.2	$ 189.2	$ 148.3	$ 151.5
1. Less: BIRT six (6) months pre-pays	(173.8)	(165.6)	(169.5)	(178.5)	(179.1)
2. Add: Encumbrances	127.0	128.4	99.2	108.9	103.1
3. Add: Reserves	78.9	38.1	54.5	73.6	85.6
Modified Accrual Basis Fund Balance	$ 400.9	$ 190.1	$ 173.4	$ 152.3	$ 161.1

B. Modified Accrual Basis Fund Balance	**6/30/2018**	**6/30/2017**	**6/30/2016**	**6/30/2015**	**6/30/2014**
Restricted	$ 78.9	$ 38.1	$ 54.5	$ 73.6	$ 85.6
Assigned					
Encumbrances	127.0	128.4	99.2	108.9	103.1
Reclassification of Unassigned	-	-	(21.2)	(27.0)	-
Assigned	127.0	128.4	78.0	81.9	103.1
Unassigned	195.0	23.6	-	-	23.0
Modified Accrual Basis Fund Balance	$ 400.9	$ 190.1	$ 132.5	$ 155.5	$ 211.7

C. Budget to GAAP Basis Reconcilation	**6/30/2018**	**6/30/2017**	**6/30/2016**	**6/30/2015**	**6/30/2014**
Budget Basis Fund Balance	$ 368.8	$ 189.2	$ 189.2	$ 148.3	$ 151.5
1. Less: BIRT six (6) months pre-pays	(173.8)	(165.6)	(169.5)	(178.5)	(179.1)
2. Less: Reclass to Assigned Fund Balance	-	-	21.2	27.0	-
Unassigned Fund Balance	$ 195.0	$ 23.6	$ 40.9	$ (3.2)	$ (27.6)

Differences between the original budget and the final amended budget resulted primarily from slight increase in revenue estimates and increases to appropriations. Total appropriations increased by $121.1 million; from an original budget of $4,437.7 million to a final amended budget of $4,558.8 million. The largest increases were required to support the following activities:

- $61.2 million for Police operations
- $16.0 million for Street maintenance and repair
- $21.2 million for Fire operations

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to $7.2 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 2018	FY 2017	FY 2016	FY 2015	FY 2014
Airport Terminal & Airfield Improvements	$ 209.2	$ 183.9	$ 161.1	$ 196.2	$ 74.4
Water & Wastewater Improvements	231.2	239.3	176.0	175.0	141.3
Streets, Highways & Bridges Improvements	27.6	43.8	77.9	63.6	46.8
Transit System Improvements	7.3	0.8	10.6	1.3	2.2
Parks, Playgrounds, Museums & Recreational Facilities	63.6	38.1	37.9	33.6	18.6
Libraries Improvements	8.8	2.3	1.6	3.3	0.2
Police & Fire Facilities	10.9	6.7	7.7	18.9	5.9
City Hall & Municipal Buildings Improvements	12.8	2.0	2.7	5.9	6.2
Computers, Servers, Software & IT Infrastructure	16.6	15.4	11.4	19.4	16.5
Economic Development	18.3	4.5	11.2	12.7	11.8
Other and Non-Enterprise Vehicles	28.9	14.7	32.3	10.7	10.9
	$ 635.2	$ 551.5	$ 530.4	$ 540.6	$ 334.8

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**		
	2018	2017	Inc/(Dec)	2018	2017	Inc/(Dec)	2018	2017	Inc/(Dec)
Land	$ 872	$ 839	$ 33	$ 227	$ 171	$ 56	$ 1,099	$ 1,010	$ 89
Fine Arts	1	1	-	-	-	-	1	1	-
Property Available for Sale	11	-	11	-	-		11	-	11
Buildings	915	680	235	1,527	1,472	55	2,442	2,152	290
Improvements other than buildings	96	94	2	164	162	2	260	256	4
Machinery & equipment	146	139	7	40	30	10	186	169	17
Infrastructure	478	494	(16)	1,603	1,617	(14)	2,081	2,111	(30)
Construction in progress	10	53	(43)	1,031	890	141	1,041	943	98
Transit	50	54	(4)	-	-	-	50	54	(4)
Intangible Assets	29	23	6	7	6	1	36	29	7
Total	**$ 2,608**	**$ 2,377**	**$ 231**	**$ 4,599**	**$ 4,348**	**$ 251**	**$ 7,207**	**$ 6,725**	**$ 482**

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 $2.1 billion of debt backed by the full faith and credit of the City, and $3.7 billion of debt secured solely by specific revenue sources) while $2.6 billion represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding

(millions of USD)

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds Outstanding:						
General obligation bonds	2,078.4	1,988.6	-	-	2,078.4	1,988.6
Revenue bonds	-	-	3,715.0	3,371.0	3,715.0	3,371.0
Total Bonds Outstanding	**2,078.4**	**1,988.6**	**3,715.0**	**3,371.0**	**5,793.4**	**5,359.6**
Other Long Term Obligations:						
Service agreements	1,790.0	1,806.1	-	-	1,790.0	1,806.1
Employee related obligations	477.5	475.6	49.7	45.7	527.2	521.3
Indemnities	81.7	86.9	6.9	7.5	88.6	94.4
Leases	249.3	4.4	-	-	249.3	4.4
Total Other Long Term Obligations	**2,598.5**	**2,373.0**	**56.6**	**53.2**	**2,655.1**	**2,426.2**
Total Long Term Debt Outstanding	**4,676.9**	**4,361.6**	**3,771.6**	**3,424.2**	**8,448.5**	**7,785.8**

Significant events related to borrowing during the current fiscal year include the following:

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows 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 borrowed and repaid $125.0 million in Tax and Revenue Anticipation Notes in fiscal year 2018; In accordance with statute there are no temporary loans outstanding at year end.

- In August 2017, the City issued $174.1 million of Water and Wastewater Revenue Bonds Series 2017B Bonds to refund the outstanding Series 2007B, 2010C and 2012 Bonds.

- 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 to finance certain costs of the City's affordable housing preservation.

- In August 2017, the City issued $331.6 million of General Obligation Bonds Series 2017A to fund City's capital projects and to refund the Series 2009A, 2011 and 2013A Bonds.

- In December 2017, the City issued $692.5 million of Airport Revenue Bonds Series 2017 Bonds to refund the outstanding Series 2007A, 2007B and 2009A Bonds, to refund certain outstanding commercial paper notes, and to pay for a portion of the Airport Capital Projects.

- 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 to finance certain costs of the Energy Project of the Philadelphia Museum of Art. The total proceeds of the One Benjamin Franklin Parkway – Series 2018B Bonds were $30.5 million to refund the outstanding Series 2007C Parkway 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 2018, PENNVEST draw-downs totaled $1.8 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, 2018, the legal debt limit was $8,001.0 million. There is $2,051.3 million of outstanding tax supported debt leaving a legal debt margin of $5,949.7 million.

More detailed information about the City's debt activity can be found in note III.7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors are key factors to consider when reviewing the City of Philadelphia's budget for the 2019 fiscal year:

- *Fund Balance:* In fiscal 2018, the General Fund ended with a fund balance of $368.8 million.

- *Budgeted Revenue Projections for FY2019:* Wage and Earnings Tax revenue is budgeted to grow 3.79%, Sales Tax revenue is budgeted to grow by 3.80%, Real Property revenue is budgeted to grow by 10.86%, and Real Estate Transfer Tax revenue is budgeted to grow by -6.25%, while the Business Income and Receipts Tax revenue is budgeted to grow by 5.46%.

- *Wage and Business Tax Cuts.* The current Five Year Plan (FY 2019 to 2023) 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 3.8809% in FY2019, and is projected to continue to drop to 3.8423% by FY2023 in the FY2019-FY2023 Five Year Plan. Regarding the Business Income and Receipts Tax, the FY2019 rate for gross receipts is 0.1415% and the net income rate is 6.25%. 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 2019 Adopted Budget, the City's direct contribution to the School District from the General Fund is $180.9 million, which is $76.5 million higher than the unaudited actual amount for Fiscal Year 2018 ($104.3 million). The increase in the direct contribution to the School District from the General Fund was the largest single increase in spending in the Fiscal Year 2019 Adopted Budget. It will be funded by the General Fund with a portion of the increase being generated by tax rate changes in the Fiscal Year 2019 Adopted Budget (an increase to the real estate transfer tax and a slowing of planned reductions in the wage tax).

- *Philadelphia Beverage Tax.* In 2016, the Philadelphia Beverage Tax (PBT) was enacted to fund free, quality pre-Kindergarten (pre-K) education for children; expand 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 FY2019 Adopted Budget and FY2019-2023 Five Year Plan project that the PBT will generate $78.0 million in FY2019.

- *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 2030. 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 FY2019, pension costs are budgeted to represent more than 15% of General Fund expenditures. The significant share of costs attributed to pensions, combined with the Pension Fund's current funding status – it is now 45.3% funded – make it clear that the City will not attain fiscal stability until it has solidified the financial condition of the pension fund.

In FY19, General Fund pension payments are projected to total $719.8 million compared to $742.4 million in FY18. In FY18, the City made an additional payment to the pension fund 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 $632.1 million in FY18 (the all funds total is $756.1 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 FY19-FY23 Five Year Plan, the sales tax revenues are projected to be worth about $300 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. 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.

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 7.65% 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. In FY2015, the City added a tobacco user surcharge and employees will pay an additional copay for each prescription if using a pharmacy that sells tobacco products.

Requests for information

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

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

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia **Exhibit I**
Statement of Net Position
June 30, 2018
Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	60,655	30	60,685	522,091
Equity in Pooled Cash and Investments	-	-	-	253,398
Equity in Treasurer's Account	1,397,079	311,072	1,708,151	-
Investments	67,867	-	67,867	285,669
Due from Component Units	42,963	-	42,963	-
Due from Primary Government	-	-	-	105,337
Internal Balances	5,299	(5,299)	-	-
Amounts Held by Fiscal Agent	78,925	-	78,925	-
Notes Receivable - Net	-	-	-	47,617
Accounts Receivable - Net	422,785	175,078	597,863	313,812
Interest and Dividends Receivable	6,057	-	6,057	24,491
Due from Other Governments - Net	638,207	19,374	657,581	268,189
Inventories	13,678	58,514	72,192	193,213
Other Assets	83,243	139	83,382	79,148
Restricted Assets:				
Cash and Cash Equivalents	-	1,061,040	1,061,040	603,362
Other Assets	-	413,868	413,868	227,208
Capital Assets:				
Land and Other Non-Depreciated Assets	894,055	1,257,294	2,151,349	514,433
Other Capital Assets (Net of Depreciation)	1,713,459	3,341,551	5,055,010	4,056,281
Total Capital Assets, Net	2,607,514	4,598,845	7,206,359	4,570,714
Total Assets	5,424,272	6,632,661	12,056,933	7,494,249
Deferred Outflows of Resources	532,990	107,697	640,687	1,012,864
Liabilities				
Notes Payable	75,971	141,162	217,133	19,256
Vouchers Payable	61,962	10,365	72,327	85,473
Accounts Payable	390,323	104,635	494,958	236,700
Salaries and Wages Payable	105,609	8,614	114,223	154,239
Accrued Expenses	47,462	51,611	99,073	203,563
Due to Agency Funds	772	-	772	-
Due to Primary Government	-	-	-	34,904
Due to Component Units	55,566	1,668	57,234	-
Funds Held in Escrow	15,148	1,667	16,815	12,220
Due to Other Governments	4,214	-	4,214	37,172
Unearned Revenue	390,189	37,620	427,809	179,285
Overpayment of Taxes	225,432	-	225,432	23,326
Other Current Liabilities	-	2,230	2,230	91,122
Derivative Instrument Liability	42,312	3,774	46,086	2,042
Long-term Liabilities:				
Due within one year				
Bonds Payable & Other Long-term Liabilities	326,695	161,131	487,826	370,656
Due in more than one year				
Bonds Payable & Other Long-term Liabilities	4,350,333	3,607,206	7,957,539	4,910,813
Net OPEB Liability	1,657,125	205,520	1,862,645	735,559
Net Pension Liability	5,377,615	649,403	6,027,018	4,089,557
Total Liabilities	13,126,728	4,986,606	18,113,334	11,185,887
Deferred Inflows of Resources	102,052	12,117	114,169	390,424
Net Position				
Net Investment in Capital Assets	645,233	1,401,960	2,047,193	657,511
Restricted For:				
Capital Projects	147,930	168,178	316,108	5,215
Debt Service	62,594	414,976	477,570	311,964
Pension Oblig Bond Refunding Reserve	21,796	-	21,796	-
Behavioral Health	279,396	-	279,396	-
Neighborhood Revitalization	167	-	167	-
Philadelphia Art Museum Project	11,369	-	11,369	-
Affordable Housing Project	44,297	-	44,297	-
Cultural & Commercial Corridor Project	1,462	-	1,462	-
Grant Programs	118,330	-	118,330	25,415
Rate Stabilization	-	179,485	179,485	-
Libraries & Parks:				
Expendable	4,667	-	4,667	-
Non-Expendable	6,664	-	6,664	-
Educational Programs	-	-	-	16,696
Other	94,493	-	94,493	12,845
Unrestricted(Deficit)	(8,709,915)	(422,964)	(9,132,879)	(4,098,844)
Total Net Position	(7,271,517)	1,741,635	(5,529,882)	(3,069,198)

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

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	113,687	13	2,150	2	(111,522)		(111,522)	
Transportation:								
Streets & Highways	148,069	6,669	51,279	13,561	(76,560)		(76,560)	
Mass Transit	86,432	2,515	98	-	(83,819)		(83,819)	
Judiciary and Law Enforcement:								
Police	1,282,036	6,785	6,620	-	(1,268,631)		(1,268,631)	
Prisons	386,375	466	414	-	(385,495)		(385,495)	
Courts	344,815	56,520	47,026	-	(241,269)		(241,269)	
Conservation of Health:								
Emergency Medical Services	69,703	51,878	2,592	-	(15,233)		(15,233)	
Health Services	1,661,755	27,589	1,415,793	7,848	(210,525)		(210,525)	
Housing and Neighborhood Development	94,295	21,024	55,465	-	(17,806)		(17,806)	
Cultural and Recreational:								
Recreation	125,735	5,795	7,394	1,866	(110,680)		(110,680)	
Parks	6,879	1,803	-	2,719	(2,357)		(2,357)	
Libraries and Museums	96,392	1,885	8,146	-	(86,361)		(86,361)	
Improvements to General Welfare:								
Social Services	731,914	7,252	591,202	-	(133,460)		(133,460)	
Education	134,742	-	-	-	(134,742)		(134,742)	
Inspections and Demolitions	54,343	64,781	(2)	-	10,436		10,436	
Service to Property:								
Sanitation	160,038	14,086	1,518	-	(144,434)		(144,434)	
Fire	410,604	375	6,551	-	(403,678)		(403,678)	
General Management and Support	729,097	160,056	66,614	1,296	(501,131)		(501,131)	
Interest on Long Term Debt	155,748	175	-	-	(155,573)		(155,573)	
Total Governmental Activities	6,792,659	429,667	2,262,860	27,292	(4,072,840)		(4,072,840)	
Business Type Activities:								
Water and Sewer	631,072	726,372	570	9,372	-	105,242	105,242	
Aviation	442,928	471,078	-	19,583	-	47,733	47,733	
Industrial and Commercial Development	484	145	-	-	-	(339)	(339)	
Total Business Type Activities	1,074,484	1,197,595	570	28,955	-	152,636	152,636	
Total Primary Government	7,867,143	1,627,262	2,263,430	56,247	(4,072,840)	152,636	(3,920,204)	
Component Units:								
Gas Operations	590,050	636,375	15,758	-				62,083
Housing	500,218	55,771	417,165	24,178				(3,104)
Parking	259,381	261,963	-	-				2,582
Education	3,557,130	40,926	1,158,429	631				(2,357,144)
Health	935,151	-	935,075	-				(76)
Economic Development	180,485	3,702	88,546	86,012				(2,225)
Total Component Units	6,022,415	998,737	2,614,973	110,821				(2,297,884)
General Revenues:								
Taxes:								
Property Taxes					649,006	-	649,006	789,512
Wage & Earnings Taxes					2,027,761	-	2,027,761	-
Business Taxes					456,129	-	456,129	-
Other Taxes					947,730	-	947,730	476,200
Grants & Contributions Not Restricted to Specific Programs					191,614	3,319	194,933	1,268,028
Unrestricted Interest & Investment Earnings					49,570	20,805	70,375	(5,224)
Miscellaneous					-	2,941	2,941	14,708
Special Items - Impairment Loss on Capital Asset					(38,387)	-	(38,387)	-
Transfers					33,280	(33,280)	-	-
Total General Revenues, Special Items and Transfers					4,316,703	(6,215)	4,310,488	2,543,224
Change in Net Position					243,863	146,421	390,284	245,340
Net Position - July 1, 2017					(6,206,906)	1,771,135	(4,435,771)	(2,727,536)
Adjustment					(1,308,474)	(175,921)	(1,484,395)	(587,002)
Net Position Adjusted - July 1, 2017					(7,515,380)	1,595,214	(5,920,166)	(3,314,538)
Net Position - June 30, 2018					(7,271,517)	1,741,635	(5,529,882)	(3,069,198)

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

City of Philadelphia **Exhibit III**

Balance Sheet
Governmental Funds
June 30, 2018

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	11,609	-	157	48,889	60,655
Equity in Treasurer's Account	821,962	176,634	76,330	322,153	1,397,079
Investments	-	-	-	67,866	67,866
Due from Other Funds	7,161	-	-	5,424	12,585
Due from Component Units	42,963	-	-	-	42,963
Amounts Held by Fiscal Agent	78,925	-	-	-	78,925
Taxes Receivable	504,655	-	-	13,489	518,144
Accounts Receivable	434,459	-	689	2,494	437,642
Due from Other Governmental Units	6,410	166,664	390,308	74,824	638,206
Allowance for Doubtful Accounts	(532,042)	-	.	(2,577)	(534,619)
Interest and Dividends Receivable	3,208	262	-	84	3,554
Other Assets	-	-	-	141	141
Total Assets	1,379,310	343,560	467,484	532,788	2,723,141
Liabilities					
Vouchers Payable	32,809	78	20,711	8,364	61,962
Accounts Payable	91,395	12,531	150,420	37,680	292,026
Salaries and Wages Payable	95,852	-	9,196	561	105,609
Payroll Taxes Payable	-	-	-	62	62
Due to Other Funds	98,934	-	73	7,213	106,220
Due to Component Units	593	51,555	789	2,629	55,566
Funds Held in Escrow	11,033	-	-	4,115	15,148
Due to Other Governmental Units	4,214	-		-	4,214
Unearned Revenue	179,436	-	201,044	9,709	390,189
Overpayment of Taxes	225,432	-	-	-	225,432
Total Liabilities	739,698	64,164	382,233	70,333	1,256,428
Deferred Inflows of Resources	238,642	-	342,411	73,033	654,086
Fund Balances					
Nonspendable	-	-	-	3,527	3,527
Restricted	78,925	279,396	31,325	390,009	779,655
Committed	-	-	-	4,607	4,607
Assigned	127,000	-	-	-	127,000
Unassigned	195,045	-	(288,485)	(8,721)	(102,161)
Total Fund Balances	400,970	279,396	(257,160)	389,422	812,628
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,379,310	343,560	467,484	532,788	

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	2,607,514
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	654,086
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,677,028)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	490,678
e. Other	(22,603)
f. Net Pension & OPEB Liabilities are not reported in the funds	(7,034,740)
g. Deferred Inflows (with the excpetion of Unavailable Revenue) are not reported in the funds	(102,052)
Net Position of Governmental Activities	(7,271,517)

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, 2018

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	3,393,684	-	-	718,700	4,112,384
Locally Generated Non-Tax Revenue	320,680	4,403	65,637	26,331	417,051
Revenue from Other Governments	323,947	1,002,472	1,012,765	101,429	2,440,613
Other Revenues	15,978	-	-	4,724	20,702
Total Revenues	4,054,289	1,006,875	1,078,402	851,184	6,990,750
Expenditures					
Current Operating:					
Economic Development	32,838	-	2,163	69,263	104,264
Transportation:					
Streets & Highways	71,031	-	2,674	34,664	108,369
Mass Transit	81,946	-	98	-	82,044
Judiciary and Law Enforcement:					
Police	1,232,779	-	4,818	-	1,237,597
Prisons	373,298	-	-	1,846	375,144
Courts	300,671	-	38,770	-	339,441
Conservation of Health:					
Emergency Medical Services	65,466	-	3,226	-	68,692
Health Services	185,136	989,806	341,159	140,365	1,656,466
Housing and Neighborhood Development	20,357	-	24,348	49,571	94,276
Cultural and Recreational:					
Recreation	103,821	-	8,470	-	112,291
Parks	-	-	-	2,881	2,881
Libraries and Museums	83,910	-	7,520	456	91,886
Improvements to General Welfare:					
Social Services	160,101	-	570,533	-	730,634
Education	134,742	-	-	-	134,742
Inspections and Demolitions	53,077	-	-	-	53,077
Service to Property:					
Sanitation	151,939	-	1,518	-	153,457
Fire	392,887	-	6,551	-	399,438
General Management and Support	716,920	-	17,243	55,737	789,900
Capital Outlay	252,500	-	-	203,192	455,692
Debt Service:					
Principal	3,175	-	-	149,400	152,575
Interest	18,343	-	-	94,318	112,661
Bond Issuance Cost	1,599	-	-	2,291	3,890
Total Expenditures	4,436,536	989,806	1,029,091	803,984	7,259,417
Excess (Deficiency) of Revenues Over (Under) Expenditures	(382,247)	17,069	49,311	47,200	(268,667)
Other Financing Sources (Uses)					
Issuance of Debt	63,220	-	-	250,845	314,065
Issuance of Refunding Debt	27,550	-	-	80,770	108,320
Bond Issuance Premium	12,107	-	-	48,110	60,217
Capital Lease Proceeds	252,500	-	-	-	252,500
Payment to Refunded Bonds Escrow Agent	(29,928)	-	-	(93,200)	(123,128)
Transfers In	493,664	-	-	308,849	802,513
Transfers Out	(225,964)	-	(43,808)	(499,461)	(769,233)
Total Other Financing Sources (Uses)	593,149	-	(43,808)	95,913	645,254
Net Change in Fund Balance	210,902	17,069	5,503	143,113	376,587
Fund Balance - July 1, 2017	190,068	262,327	(262,663)	246,309	436,041
Adjustment	-	-	-	-	-
Fund Balance Adjusted - July 1, 2017	190,068	262,327	(262,663)	246,309	436,041
Fund Balance - June 30, 2018	400,970	279,396	(257,160)	389,422	812,628

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

City of Philadelphia

Exhibit V

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds..	376,587
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 (446,060)exceeded depreciation (163,941) in the current period...	282,119
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds...	54,341
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 proceeds (734,981) exceeded repayments (424,893)...	(310,119)
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..	(77,578)
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......	(43,100)
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).	(38,387)
Change in Net Position of governmental activities...	243,863

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

Statement of Fund Net Position
Proprietary Funds
June 30, 2018

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
			Other Non-Major	
Assets	Water and Sewer	Aviation	Industrial & Commercial Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	102,997	198,166	9,909	311,072
Due from Other Governments	1,500	594	17,280	19,374
Accounts Receivable	158,767	28,893	-	187,660
Allowance for Doubtful Accounts	(11,489)	(1,093)	-	(12,582)
Inventories	15,502	3,484	39,528	58,514
Other Assets	139	-	-	139
Total Current Assets	267,446	230,044	66,717	564,207
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	484,011	577,029	-	1,061,040
Sinking Funds and Reserves	199,833	186,098	-	385,931
Grants for Capital Purposes	-	12,188	-	12,188
Receivables	1,560	14,189	-	15,749
Total Restricted Assets	685,404	789,504	-	1,474,908
Capital Assets:				
Land	5,919	220,627	-	226,546
Infrastructure	2,601,207	1,039,127	-	3,640,334
Construction in Progress	523,417	507,331	-	1,030,748
Buildings and Equipment	1,730,817	2,310,147	-	4,040,964
Less: Accumulated Depreciation	(2,373,471)	(1,966,276)	-	(4,339,747)
Total Capital Assets, Net	2,487,889	2,110,956	-	4,598,845
Total Non-Current Assets	3,173,293	2,900,460	-	6,073,753
Total Assets	3,440,739	3,130,504	66,717	6,637,960
Deferred Outflows of Resources	84,100	23,597	-	107,697
Liabilities				
Current Liabilities:				
Vouchers Payable	5,788	4,577	-	10,365
Accounts Payable	10,758	15,491	-	26,249
Salaries and Wages Payable	4,580	4,034	-	8,614
Construction Contracts Payable	48,729	29,657	-	78,386
Due to Other Funds	5,299	-	-	5,299
Due to Component Units	1,668	-	-	1,668
Accrued Expenses	30,046	21,565	-	51,611
Funds Held in Escrow	1,667	-	-	1,667
Unearned Revenue	11,193	26,427	-	37,620
Commercial Paper Notes	-	141,162	-	141,162
Bonds Payable-Current	102,581	58,550	-	161,131
Other Current Liabilities	-	2,230	-	2,230
Total Current Liabilities	222,309	303,693	-	526,002
Derivative Instrument Liability	3	3,771	-	3,774
Net OPEB Liability	139,806	65,714	-	205,520
Net Pension Liability	435,860	213,543	-	649,403
Non-Current Liabilities:				
Bonds Payable	1,721,912	1,536,390	-	3,258,302
Unamortized Premium/(Discount and Loss)	168,678	124,695	-	293,373
Other Non-Current Liabilities	41,497	14,034	-	55,531
Total Non-Current Liabilities	1,932,087	1,675,119	-	3,607,206
Total Liabilities	2,730,065	2,261,840	-	4,991,905
Deferred Inflows of Resources	8,133	3,984	-	12,117
Net Position				
Net Investment in Capital Assets	687,482	714,478	-	1,401,960
Restricted For:				
Capital Projects	99,230	68,948	-	168,178
Debt Service	200,225	214,751	-	414,976
Rate Stabilization	179,485	-	-	179,485
Unrestricted	(379,781)	(109,900)	66,717	(422,964)
Total Net Position	786,641	888,277	66,717	1,741,635

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, 2018

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	713,730	124,999	-	838,729
Rentals and Concessions	-	245,881	-	245,881
Operating Grants	570	-	-	570
Miscellaneous Operating Revenues	12,642	8,690	145	21,477
Total Operating Revenues	726,942	379,570	145	1,106,657
Operating Expenses:				
Personal Services	139,566	79,223	-	218,789
Purchase of Services	111,777	111,100	-	222,877
Materials and Supplies	37,471	9,805	-	47,276
Employee Benefits	144,815	60,603	-	205,418
Indemnities and Taxes	6,343	1,967	-	8,310
Depreciation	101,847	112,034	-	213,881
Cost of Goods Sold	-	-	484	484
Total Operating Expenses	541,819	374,732	484	917,035
Operating Income (Loss)	185,123	4,838	(339)	189,622
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	1,647	1,672	-	3,319
Passenger and Customer Facility Charges	-	91,508	-	91,508
Interest Income	10,865	9,836	104	20,805
Debt Service - Interest	(70,136)	(68,196)	-	(138,332)
Other Revenue (Expenses)	(19,117)	2,941	-	(16,176)
Total Non-Operating Revenues (Expenses)	(76,741)	37,761	104	(38,876)
Income (Loss) Before Contributions & Transfers	108,382	42,599	(235)	150,746
Transfers In/(Out)	(33,280)	-	-	(33,280)
Capital Contributions	9,372	19,583	-	28,955
Change in Net Position	84,474	62,182	(235)	146,421
Net Position - July 1, 2017	810,099	894,084	66,952	1,771,135
Adjustment	(107,932)	(67,989)	-	(175,921)
Net Position Adjusted - July 1, 2017	702,167	826,095	66,952	1,595,214
Net Position - June 30, 2018	786,641	888,277	66,717	1,741,635

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

City of Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

Exhibit VIII

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	728,606	401,035	-	1,129,641
Payments to Suppliers	(155,723)	(113,982)	-	(269,705)
Payments to Employees	(270,613)	(137,995)	-	(408,608)
Internal Activity-Payments to Other Funds	-	(7,679)	-	(7,679)
Claims Paid	(6,343)	-	-	(6,343)
Other Receipts (Payments)	-	1,283	-	1,283
Net Cash Provided (Used)	295,927	142,662	-	438,589
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	716	2,237	-	2,953
Operating Subsidies and Transfers from Other Funds	(33,301)	-	-	(33,301)
Net Cash Provided (Used)	(32,585)	2,237	-	(30,348)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	1,784	1,533,959	-	1,535,743
Capital Grants & Contributions Received	-	13,856	-	13,856
Acquisition and Construction of Capital Assets	(231,545)	(306,089)	-	(537,634)
Interest Paid on Debt Instruments	(85,749)	(59,847)	-	(145,596)
Principal Paid on Debt Instruments	(132,202)	(1,121,249)	-	(1,253,451)
Passenger Facility Charges	-	90,602	-	90,602
Other Receipts (Payments)	296	-	-	296
Net Cash Provided (Used)	(447,416)	151,232	-	(296,184)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends on Investments	8,136	9,167	104	17,407
Net Cash Provided (Used)	8,136	9,167	104	17,407
Net Increase (Decrease) in Cash and Cash Equivalents	(175,938)	305,298	104	129,464
Cash and Cash Equivalents, July 1 (including $667.7 mil for Water & Sewer and $344.2 mil for Aviation reported in restricted accounts)	762,976	469,897	9,805	1,242,678
Cash and Cash Equivalents, June 30 (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
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	185,123	4,838	(339)	189,622
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	101,847	112,034	-	213,881
Bad Debts, Net of Recoveries	-	-	-	-
Changes in Assets and Liabilities:				
Receivables, Net	(663)	31,776	(145)	30,968
Unearned Revenue	1,279	(9,049)	-	(7,770)
Inventories	(731)	(107)	484	(354)
Accounts and Other Payables	2,673	3,170	-	5,843
Accrued Expenses	6,399	-	-	6,399
Net Cash Provided by Operating Activities	295,927	142,662	-	438,589
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, 2018

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	20,504	128,138
Equity in Treasurer's Account	5,749,321	84,238
Investments	-	2,388
Securities Lending Collective Investment Pool	411,287	-
Allowance for Unrealized Loss	32	-
Accounts Receivable	3,536	-
Due from Brokers for Securities Sold	138,122	-
Interest and Dividends Receivable	1,539	-
Due from Other Governmental Units	9,226	-
Due from Other Funds	98,235	699
Total Assets	6,431,802	215,463
Liabilities		
Vouchers Payable	75	58
Accounts Payable	235	-
Salaries and Wages Payable	186	-
Payroll Taxes Payable	-	15,291
Funds Held in Escrow	-	200,114
Due on Return of Securities Loaned	411,287	-
Due to Brokers for Securities Purchased	131,666	-
Accrued Expenses	3,439	-
Other Liabilities	382	-
Total Liabilities	547,270	215,463
Net Position Restricted for Pensions	5,884,532	-

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

Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	811,127
Employees' Contributions	84,367
Total Contributions	895,494
Investment Income:	
Interest and Dividends	139,902
Net Gain in Fair Value of Investments	351,704
(Less) Investments Expenses	(8,781)
Securities Lending Revenue	1,836
Securities Lending Unrealized Gain	-
(Less) Securities Lending Expenses	(275)
Net Investment Gain	484,386
Miscellaneous Operating Revenues	251
Total Additions	1,380,131
Deductions	
Personal Services	3,670
Purchase of Services	2,264
Materials and Supplies	48
Employee Benefits	4,073
Pension Benefits	872,394
Refunds of Members' Contributions	8,499
Administrative Expenses Paid	184
Other Operating Expenses	68
Total Deductions	891,200
Change in Net Position	488,931
Net Position - July 1, 2017	5,395,601
Net Position - June 30, 2018	5,884,532

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

City of Philadelphia
Statement of Net Position
Component Units
June 30, 2018

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	131,051	157,882	61,483	52,268	5	17,716	42,821	58,865	522,091
Equity in Pooled Cash and Investments	-	-	-	-	253,398	-	-	-	253,398
Investments	-	1,574	15,916	33,002	190,652	44,525	-	-	285,669
Due from Primary Government	-	-	3,831	-	-	-	88,709	12,797	105,337
Notes Receivable	-	27,172	20,445	-	-	-	-	-	47,617
Taxes Receivable		-	-	-	163,371	-	-	-	163,371
Accounts Receivable-Net	82,611	22,171	1,011	568	33,343	5,836	1,805	3,096	150,441
Interest and Dividends Receivable	-	176	23,727	42	496	50	-	-	24,491
Due from Other Governments	-	49,180	-	-	179,531	1,734	-	37,744	268,189
Inventories	52,364	1,162	137,831	-	1,856	-	-	-	193,213
Other Assets	58,942	5,664	4,851	1,201	7,548	-	942	-	79,148
Restricted Assets:									
Cash and Cash Equivalents	43,003	69,734	11,750	121,522	342,343	-	-	15,010	603,362
Other Assets	174,713	4,709	10,368	-	13,883	9,315	-	14,220	227,208
Capital Assets:									
Land and Other Non-Depreciated Assets	81,548	157,073	170	24,575	207,676	32,388	-	11,003	514,433
Other Capital Assets (Net of Depreciation)	1,322,409	858,067	127	150,103	1,504,675	131,984	10,271	78,645	4,056,281
Total Capital Assets	1,403,957	1,015,140	297	174,678	1,712,351	164,372	10,271	89,648	4,570,714
Total Assets	1,946,641	1,354,564	291,510	383,281	2,898,777	243,548	144,548	231,380	7,494,249
Deferred Outflows of Resources	148,639	10,948	3,397	64,506	778,096	7,278	-	-	1,012,864
Liabilities									
Notes Payable	-	-	974	18,282	-	-	-	-	19,256
Vouchers Payable	72,620	-	-	-	-	12,853	-	-	85,473
Accounts Payable	-	16,293	13,293	19,303	153,533	-	29,244	5,034	236,700
Salaries and Wages Payable	3,885	3,324	555	-	133,972	3,497	9,006	-	154,239
Accrued Expenses	83,184	17,142	13,370	446	-	2,098	87,323	-	203,563
Funds Held in Escrow	-	1,901	9,150	-	-	282	-	887	12,220
Due to Other Governments	-	426	-	16,049	7,808	729	-	12,160	37,172
Due to Primary Government	-	-		34,904	-	-	-	-	34,904
Unearned Revenue	8,869	2,170	28,189	-	16,187	2,876	4,521	116,473	179,285
Overpayment of Taxes	-	-	-	-	23,326	-		-	23,326
Other Current Liabilities	-	15,542	-	-	66,380	-	9,200	-	91,122
Derivative Instrument Liability		-	-	-	2,042	-	-	-	2,042
Net OPEB Liability	378,888	1,744	3,983	16,102	147,354	182,234	5,254	-	735,559
Net Pension Liability	261,261	78,936	11,247	166,146	3,571,967	-	-	-	4,089,557
Non-Current Liabilities:									
Due within one year	51,820	17,193	3,794	14,520	276,213	7,116	-	-	370,656
Due in more than one year	1,073,653	116,561	48,944	121,841	3,448,345	69,256	-	32,213	4,910,813
Total Liabilities	1,934,180	271,232	133,499	407,593	7,847,127	280,941	144,548	166,767	11,185,887
Deferred Inflows of Resources	49,400	-	3,796	25,062	245,109	67,057	-	-	390,424
Net Position									
Net Investment in Capital Assets	432,353	638,084	126	72,458	(634,927)	102,005	-	47,412	657,511
Restricted For:									
Capital Projects	-	-	-	-	-	5,215	-	-	5,215
Debt Service	105,901	-	11,436	3,950	190,677	-	-	-	311,964
Educational Programs	-	-	-	-	6,387	10,309	-		16,696
Grant Programs	-	-	-	-	-	-	-	25,415	25,415
Other	-	3,294	-	-	9,551	-	-	-	12,845
Unrestricted	(426,554)	452,902	146,050	(61,276)	(3,987,051)	(214,701)	-	(8,214)	(4,098,844)
Total Net Position	111,700	1,094,280	157,612	15,132	(4,415,363)	(97,172)	-	64,613	(3,069,198)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2018. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2017. The Philadelphia Parking Authority and Philadelphi Housing Authority are presented as of the close of their fiscal year, March 31, 2018.

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

City of Philadelphia **Exhibit XII**
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2018

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*	Philadelphia Authority for Industrial Development*	Total
Gas Operations													
Gas Works	590,050	636,375	15,758	-	62,083								62,083
Housing													
Housing Authority	447,262	52,009	377,530	24,072		6,349							6,349
Redevelopment Authority	52,956	3,762	39,635	106			(9,453)						(9,453)
	500,218	55,771	417,165	24,178									
Parking													
Parking Authority	259,381	261,963	-	-				2,582					2,582
Education													
School District	3,386,825	6,169	1,098,290	631					(2,281,735)				(2,281,735)
Community College	170,305	34,757	60,139	-						(75,409)			(75,409)
Total	3,557,130	40,926	1,158,429	631									
Health													
Community Behavioral Health	935,151	-	935,075	-							(76)		(76)
Economic Development													
Authority for Ind. Development	180,485	3,702	88,546	86,012								(2,225)	(2,225)
Total	180,485	3,702	88,546	86,012									
Total Component Units	6,022,415	998,737	2,614,973	110,821									(2,297,884)
General Revenues:													
Property Taxes					-	-	-	-	789,512	-	-	-	789,512
Other Taxes					-	-	-	-	476,200	-	-	-	476,200
Grants & Contributions Not Restricted to Specific Programs					-	16,997	-	-	1,184,378	66,653	-	-	1,268,028
Unrestricted Interest & Investment Earnings					-	(574)	(10,722)	2,105	2,512	879	76	500	(5,224)
Miscellaneous					-	12,847	-	-	-	1,861	-	-	14,708
Total General Revenue ,Special items and Transfers					-	29,270	(10,722)	2,105	2,452,602	69,393	76	500	2,543,224
Change in Net Position					62,083	35,619	(20,175)	4,687	170,867	(6,016)	-	(1,725)	245,340
Net Position - July 1, 2017					327,525	1,053,583	177,787	14,040	(4,429,915)	63,106	-	66,338	(2,727,536)
Adjustment					(277,908)	5,078	-	(3,595)	(156,315)	(154,262)	-	-	(587,002)
Net Position Adjusted - July 1, 2017					49,617	1,058,661	177,787	10,445	(4,586,230)	(91,156)	-	66,338	(3,314,538)
Net Position - June 30, 2018					111,700	1,094,280	157,612	15,132	(4,415,363)	(97,172)	-	64,613	(3,069,198)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2018. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2017. The Philadelphia Parking Authority and the Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2018

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


SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

City of Philadelphia
PENNSYLVANIA

Notes to the Financial Statements
FYE 06/30/2018

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 did meet the criteria for inclusion, however they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.

As used both on the face of the financial statements and in the footnotes, the term “Primary Government” includes both City funds and Blended Component Units while the term “Component Units” includes only Discretely Presented Component Units. A Related Organization is an entity which the City appoints board members but for which the city has no significant financial responsibility.

A. BLENDED COMPONENT UNITS

Pennsylvania Intergovernmental Cooperation Authority (PICA) – 1500 Walnut St., Philadelphia, PA 19102
PICA was established by act of the Commonwealth of Pennsylvania to provide financial assistance to cities of the first class and is governed by a five-member board appointed by the Commonwealth. Currently, the City of Philadelphia is the only city of the first class. The activities of PICA are reflected in two of the governmental fund types (Special Revenue and Debt Service).

Philadelphia Municipal Authority (PMA) – 1515 Arch St., Philadelphia, PA 19102
PMA is governed by a five-member board appointed by the City and was established to issue tax exempt bonds for the acquisition and use of certain equipment and facilities for the City. The activities of PMA are reflected in three of the governmental fund types (Special Revenue, Debt Service and Capital Improvement).

B. DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the applicable combined financial statements include the combined financial data for the organizations discussed below. They are reported in a separate column to emphasize that they are legally separate from the City. However, in order to retain their identity, applicable combining statements have been included as part of this report.

Community College of Philadelphia (CCP) – 1700 Spring Garden St., Philadelphia, PA 19130
CCP was established by the City to provide two-year post-secondary education programs for its residents. It is governed by a Board appointed by the City 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.

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

Philadelphia Redevelopment Authority (PRA) – 1234 Market St., Philadelphia, PA 19107
PRA was established to rehabilitate blighted sections of the City. It is governed by a five-member board appointed by the City and must submit its budgets to the City for review and approval. PRA's reported amounts include the financial activity of the Head House Retail Associates, L.P., which is PRA's discretely presented component unit whose fiscal year ended December 31, 2017.

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 exists 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 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.

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.

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.

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

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

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

The City reports the following major governmental funds:

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

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

The City reports on the following fiduciary funds:

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

- The Escrow Fund accounts for funds held in escrow for various purposes.
- The Employees Health & Welfare Fund accounts for funds deducted from employees' salaries for payment to various organizations.
- The Departmental Custodial Accounts account for funds held in custody by various City Departments.

The City reports the following major proprietary funds:

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

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

B. COMPONENT UNITS

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

The financial statements of the **CCP** have been prepared in accordance with GASBS No. 35 - Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities.

The remaining component units prepare their financial statements in a manner similar to that of proprietary funds.

4. DEPOSITS AND INVESTMENTS

The City utilizes a pooled Cash and Investments Account to provide efficient management of the cash of most City funds. In addition, separate cash accounts are maintained by various funds due to either legal requirements or operational needs. For 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, 2018 and 2017. Credit balance receivables have been included in unearned revenue in the statement of net position. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written off when recommended by the Law Department.

In fiscal year 2015, the Division of Aviation and the Philadelphia Airport Affairs Committee (PAAC) entered into an agreement that would reduce the fiscal year 2015 base rate to the airlines in exchange for a $10 million contribution from the Airport's Operation and Maintenance (O&M) reserve account that would be replenished by the signatory airlines, through the rates and charges process, over a three-year period from fiscal years 2016 to 2018. The Airport included this $10 million as part of the $32.5 million Accounts Receivable reported for the Aviation Fund in the FY 2015 Statement of Net Position. However, the agreement stated that repayment of the contribution would take place over the next three years, $6.7 million of the $10 million receivable will not be collected until fiscal years 2017 and 2018. The third, and final, installment of $3.333 million was collected during fiscal year 2018.

All trade and property receivables in the governmental-wide financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 31.38% 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	41,515	3,775	594
Deferred Charge of Refunding	89,050	55,947	155,298
Deferred Pension Expense	316,636	37,332	760,384
Deferred Outflow OPEB	85,790	10,643	96,588
Total	532,991	107,697	1,012,865

(Amounts in Thousands of USD)

Deferred Inflows of Resources	Governmental Activities	Business Type Activities	Component Units
Deferred Gain of Refunding	504	145	3,818
Deferred Pension Revenue	20,944	1,980	275,708
Deferred Inflow OPEB	80,605	9,992	110,897
Total	102,052	12,117	390,423

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	122,386	-	364
Unavailable Agency Revenue	78,827	-	-
Unavailable Government Revenue	37,429	342,412	72,669
Total	238,642	342,412	73,033

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) ($173.7 million).

14. NEW ACCOUNTING STANDARDS

In June 2015, **GASB issued Statement No. 75**, **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City's adoption of Statement No. 75 resulted in a prior period adjustment and affects the reporting of net OPEB liabilities, deferred inflows of resources, deferred outflows of resources, and the recognition of OPEB expense in accordance with the provisions of the Statement.

In March 2016, **GASB issued Statement No. 81**, **Irrevocable Split-Interest Agreements**. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The adoption of this statement did not result in any significant changes to the City's financial statements.

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 City has not completed the process of evaluating the impact of adopting this Statement.

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 March 2017, **GASB issued Statement No. 85, Omnibus 2017.** The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The adoption of this statement did not result in any significant changes to the City's financial statements.

In May 2017, **GASB issued Statement No. 86, Certain Debt Extinguishment Issues.** The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The adoption of this statement did not result in any significant changes to the City's financial statements.

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 has not completed the process of evaluating the impact of adopting this Statement.

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.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

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

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

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 $603.5 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, 2018, 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	$ 893	$ -	$ -	$ -	$ 893
Short-Term Investment Pools	475,805	703	14,702	88,925	580,135
Commercial Paper	379,321	-	-	-	379,321
U.S. Government Securities	1,689,825	87	44,696	222,855	1,957,463
U.S. Government Agency Securities	395,632	144	33,393	18,191	447,360
Municipal/Other Debt	18,152	658	3,391	12,136	34,337
Foreign Debt	-	-	-	7,195	7,195
Corporate Bonds	197,675	202	74,073	307,972	579,922
CDO's	-	-	-	-	-
Government Bonds	-	-	-	133,947	133,947
Asset Backed Securities	-	-	5,617	19,264	24,881
Mortgage Backed Securities	-	-	3,112	105,643	108,755
Other Bonds and Investments	-	2,673	3,022	-	5,695
Corporate Equities	-	3,477	364,947	3,157,750	3,526,174
Limited Partnerships	-	-	-	121,328	121,328
Hedge Funds	-	-	-	35,046	35,046
Real Estate	-	-	-	491,004	491,004
Private Equity	-	-	-	487,072	487,072
Grand Total	$ 3,157,303	$ 7,944	$ 546,953	$ 5,208,328	$ 8,920,528

(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 by limiting the type of allowable investment, as well as the maximum percent of the portfolio for each type of investment.

The City's investment in US Government securities (53.52%) or US Government Agency obligations (12.53%) 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 (12.01%) 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 (6.26%) 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)

Classifications	Less than 6 months	7 to 12 months	13 to 18 months	19 to 24 months	Total
Commercial Paper	$ 350,280	$ 29,041	$ -	$ -	$ 379,321
U.S. Government Security	803,668	688,319	173,991	23,847	1,689,825
U.S. Government Agency Securities	183,551	86,946	68,072	57,063	395,632
Municipal Debt	2,664	11,495	3,993	-	18,152
Corporate Bonds	43,081	77,563	54,661	22,370	197,675
Grand Total	$ 1,383,244	$ 893,364	$ 300,717	$ 103,281	$ 2,680,606

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, 2018:

- U.S. Treasury securities of $1,689.8 million are valued using quoted prices from active markets (Level 1)
- U.S Agency securities of $395.6 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)
- Corporate bond securities of $197.7 million are valued using quoted prices for similar securities in active markets and via matrix pricing models (Level 2)
- Commercial paper securities of $379.3 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2)
- Municipal Debt/Other securities of $18.2 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2)

The City's money market and short-term investment pools of $476.7 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, 2018:

- Equity Stock securities of $0.7 million are valued using quoted prices from active markets (Level 1)
- ETF and Mutual funds of $4.1 million are valued using quoted prices from active markets (Level 1)
- U.S Treasury securities of $0.1 million, U.S. Agency securities of $0.1 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 $2.7 million is 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) a. 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 and Plan Asset Matters

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, 2018, the Authority's deposits consist of the following:

	(Thousands of USD)	
Cash		1,560.8
Certificates of deposit		3,675.0
Total Deposits	$	5,235.8

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, the Authority's deposits may not be returned to it. The Authority has no policy, other than noted above, that further limits its custodial risk. As of June 30, 2018, the Authority's book balance was $5,235,791 and the bank balance was $5,307,720. Of the bank balance, $3,925,000 was covered by federal depository insurance and $1,382,720 was collateralized under Act 72.

Interest Rate Risk – The Authority 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, 2018. 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, 2018:

	Fair Value Measurements Using			
Investment Type	Level 1	Level 2	Level 3	Totals
Money Market Funds	35,521,014	-	-	35,521,014
Commercial Paper	-	-	-	-
Mutual funds - bonds	-	-	-	-
US Treasury & Agency Obligations	16,083,259	-	-	16,083,259
Municipal Bonds	-	30,521,688	-	30,521,688
Total	51,604,273	30,521,688	-	82,125,961

Investment Derivative Instruments:
As of June 30, 2018, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

	Changes in Fair Value		Fair Value as of June 30, 2018		
Government Activities	Classification	Amount	Classification	Amount	Notional Amount
2003 Basis Cap	Investment Income	8,253	Investment	450,765	47,910,000
1999 Basis Cap	Investment Income	17,874	Investment	1,068,295	89,130,000

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 June 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by one-month LIBOR less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of the agreement equals the notional amount and term of the 2003 interest rate swap noted above.

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

Fair value: As of June 30, 2018, the 2003 Basis Cap had a positive fair value of $450,765. This means that **PICA** would receive this amount to terminate the 2003 basis cap. As of June 30, 2018, the 1999 Basis Cap had a positive fair value of $1,068,295. This means that **PICA** would receive this amount to terminate the 1999 basis cap. The fair values of the 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 cap may be terminated by the Authority if the counterparty's ratings fall below A- or A3 and collateral is not posted within 15 days.

2) PHILADELPHIA MUNICIPAL AUTHORITY

INVESTMENTS AND DEPOSITS

The authority does not have a formally adopted investment policy; however, the terms of their bond indentures limit the investments in which the trustee can deposit funds. These limited investments include US government obligations, repurchase agreements for government obligations, certificates of deposits and other time deposit arrangements with financial institutions.

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, 2018 is as follows:

	(Thousands of USD)	
	Fair Value	**Cost**
Money Market Funds *	13,171	13,171
	$ 13,171	$ 13,171

- Restricted for debt service or capital expenditures.*

The Authority, 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.

The Authority 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, 2018, the Authority 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, the Authority's deposits or investments may not be returned to it. The Authority does not have a formal policy for custodial credit risk. However, it generally follows the practices of the City.

The Authority's depository cash accounts consisted of $37,323 on deposit with two local banks as of June 30, 2018. 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 Authority's name. As of June 30, 2018, the Authority 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. The Authority 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.

The Authority's investments qualify as Level 1 investments.

C. Discretely Presented Component Units

1. Philadelphia Authority for Industrial Development Basis Swap

As of June 30, 2018, **PAID's** basis swap did not meet the criteria for effectiveness as a hedging instrument. Therefore, it is reported as an investment derivative instrument.

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2018		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Swap	Investment Revenue	(876)	Investment	(797)	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 29, 2018, the notional amount on the portion of the swap that was not amended was $193.5 million.

Fair Value: As of June 29, 2018, the swap had a negative fair value of $0.797 million. This means that **PAID** 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.

Risks: As of June 29, 2018, **PAID** is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by **PAID** if the ratings of MLCS's guarantor (Merrill Lynch & Co.) falls below Baa3 or BBB- or the swap may be terminated by MLCS if the City's rating falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

The swap exposes **PAID** to basis risk, the risk that the relationship between one-month LIBOR and the SIFMA index may change from the historic pattern that existed when the swap was entered into. If SIFMA averages higher than 67% of one-month LIBOR plus 20 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 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, 2018 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	($612,615)	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	($1,429,436)	JPMorgan Chase Bank, N.A.	Aa3/A+/AA
							($2,042,051)		

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, 2018, the net benefit to the School District has been $16,401,318.

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, 2018, 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 negative mark-to-market value of $2,695,560 as of June 30, 2018. 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

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 Service Agreement Series 2014B for the Philadelphia School District, 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 & City Service Agreement – One Parkway Series 2018B Revenue Refunding Bonds.

Grants Revenue Fund - Consists of cash and investment balances related to the net proceeds of the **PRA's** City of Philadelphia Neighborhood Transformation Initiative Bonds.

B. PROPRIETARY FUNDS

There are no amounts reported for fiscal year 2018 - 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:				
		Non major Governmental			
Interfund Payables Due From:	**General**	**Special Revenue**	**Pension Fund**	**Other Funds**	**Total**
General	$ -	$ -	$ 98,235	$ 699	$ 98,934
Grants Revenue Fund	-	73	-	-	73
Water & Sewer Fund	-	5,299	-	-	5,299
Non major Special Revenue Funds	7,161	52	-	-	7,213
Total	$ 7,161	$ 5,424	$ 98,235	$ 699	$ 111,519

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**	**PPA**	**Timing Difference**	**Total**
General Fund	$ -	$ -	$ -	$ 185	$ 61	$ 347	$ -	$ -	$ 593
Behavioral Health	-	-	51,555	-	-	-		-	51,555
Grants Revenue	-	-	132	657	-	-		-	789
Community Dev.	-	-	-	507	-	-		-	507
Capital Improvement	-	-	-	-	1,616	-	-	-	1,616
Housing Trust	-	-	-	506	-	-	-	-	506
Water Fund	-	-	-	-	896	770	-	-	1,666
PPA	5,942	32,093	-	-	-	-		(3,131)	34,904
PAID	37,021	-	-	-	-	-		(37,021)	-
Timing Difference	-	(32,093)	37,022	1,976	10,224	(1,117)	-	-	16,012
Total	$42,963	$ -	$ 88,709	$ 3,831	$ 12,797	$ -	$ -	$ (40,152)	$ 108,148

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity for the year ended June 30, 2018 was as follows:

(Amounts In Millions of USD)

Governmental Activities:		Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:					
Land		839.0	33.0	-	872.0
Fine Arts		1.0	-	-	1.0
Property Available for Sale	*	-	49.0	(38.0)	11.0
Construction In Process		53.0	7.0	(50.0)	10.0
Total capital assets not being depreciated		893.0	89.0	(88.0)	894.0
Capital assets being depreciated:					
Buildings		2,195.0	317.0	(1.0)	2,511.0
Other Improvements		356.0	14.0	-	370.0
Equipment		530.0	41.0	(21.0)	550.0
Infrastructure		1,712.0	27.0	-	1,739.0
Intangibles		28.0	10.0	-	38.0
Transit		292.0	-	-	292.0
Total capital assets being depreciated		5,113.0	409.0	(22.0)	5,500.0
Less accumulated depreciation for:					
Buildings	**	(1,523.0)	(73.0)	-	(1,596.0)
Other Improvements	***	(264.0)	(10.0)	-	(274.0)
Equipment		(391.0)	(30.0)	17.0	(404.0)
Infrastructure		(1,218.0)	(43.0)	-	(1,261.0)
Intangibles		(5.0)	(4.0)	-	(9.0)
Transit		(238.0)	(4.0)	-	(242.0)
Total accumulated depreciation		(3,639.0)	(164.0)	17.0	(3,786.0)
Total capital assets being depreciated, net		1,474.0	245.0	(5.0)	1,714.0
Governmental activities capital assets, net		**2,367.0**	**334.0**	**(93.0)**	**2,608.0**

** - In 2014, a capital project was funded through the issuance of the Philadelphia Municipal Authority Bonds 2014 in the amount of $65,155,000 for the land acquisition, selective demolition, remediation, renovation and equipping of a building at 4601 Market Street, where the City planned to move its police headquarters, formally known as the Public Safety Services Campus. The first phase of the project began in 2015. In May 2017, the Authority was notified that the City may no longer relocate the police headquarters to this building. In 2018, Philadelphia Industrial Development Corporation (PIDC), on behalf of the City, issued a Request for Quote to acquire and redevelop this property. In February 2019, legislation was passed that authorized the sale of the building. The fair value of the property was determined to be $10,000,000. As a result, an impairment adjustment of $38,387,141 was made to reduce the carrying value of the property to $10,000,000.*

*** - Note that the beginning balances of the accumulated depreciation for “Buildings” has been adjusted by an increase of $8 million, this was due to a prior period adjustment resulting from an error in prior period removal.*

**** - Note that the beginning balances of the accumulated depreciation for “Other Improvements” has been adjusted by $2 million, this was due to a prior period adjustment resulting from an error in prior period removal.*

(Amounts In Millions of USD)

Business-Type Activities - Enterprise Funds	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	170.9	55.7	-	226.6
Construction In Process (1)	916.6	424.5	(310.3)	1,030.8
Total capital assets not being depreciated	1,087.5	480.2	(310.3)	1,257.4
Capital assets being depreciated:				
Buildings	3,388.2	174.1	(61.2)	3,501.1
Other Improvements	353.4	22.5	-	375.9
Equipment	151.8	40.5	(28.3)	164.0
Intangible Assets	17.7	2.1	-	19.8
Infrastructure (2)	3,570.4	63.5	(13.4)	3,620.5
Total capital assets being depreciated	7,481.5	302.7	(102.9)	7,681.3
Less accumulated depreciation for:				
Buildings (3)	(1,920.4)	(98.9)	45.0	(1,974.3)
Other Improvements (4)	(194.3)	(17.5)	-	(211.8)
Equipment	(121.7)	(10.4)	8.0	(124.1)
Intangible Assets	(11.9)	(1.5)	0.7	(12.7)
Infrastructure (5)	(1,943.4)	(85.6)	12.1	(2,016.9)
Total accumulated depreciation	(4,191.7)	(213.9)	65.8	(4,339.8)
Total capital assets being depreciated, net	3,289.7	88.8	(37.1)	3,341.4
Business-type activities capital assets, net	4,377.2	569.0	(347.4)	4,598.8

(1) Note that the beginning balance of the capital assets not being depreciated for "Construction in Process" has been adjusted by an Aviation Fund increase of $26.2 million due to a prior period correction adjustment.

(2) Note that the beginning balance of the capital assets being depreciated for "Infrastructure" has been adjusted by a Water Fund net increase of $10.5 million due to a prior period adjustment resulting from the recognition of $4.2 million of the federal subsidy portion of various projects placed in service in the previous year and the net effect of $6.3 million for projects expensed that should have been included in fixed assets and duplicate projects that should have been removed.

(3) Note that the beginning balance of the accumulated depreciation for "Buildings" has been adjusted by a net increase of $4.4 million due to a Water Fund prior period recalculation adjustment decrease of $8.8 million and an Aviation Fund prior period recalculation adjustment increase of $13.2 million.

(4) Note that the beginning balance of the accumulated depreciation for "Other Improvements" has been adjusted by an increase of $3.1 million due to an Aviation Fund prior period recalculation adjustment.

(5) Note that the beginning balance of the accumulated depreciation for "Infrastructure" has been adjusted by a net increase of $.7 million due to a Water Fund prior period recalculation adjustment decrease of $10.6 million and an Aviation Fund prior period recalculation adjustment increase of $11.3 million.

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

	(Amounts in Millions of USD)
Governmental Activities:	
Economic Development	3
Transportation:	
Streets & Highways	45
Mass Transit	4
Judiciary and Law Enforcement:	
Police	13
Prisons	6
Courts	1
Conservation of Health:	
Health Services	4
Cultural and Recreational:	
Recreation	13
Parks	12
Libraries and Museums	7
Improvements to General Welfare:	
Social Services	1
Service to Property:	
Fire	7
General Management & Support	48
Total Governmental Activities	164

	(Amounts in Millions of USD)
Business-Type Activities:	
Water and Sewer	102
Aviation	112
Total Business Type Activities	214

B. DISCRETELY PRESENTED COMPONENT UNITS

The following schedule reflects the combined activity in capital assets for the discretely presented component units for the year ended June 30.

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
(1) Land	126.8	-	-	-	126.8
Construction In Process	49.9	79.7	-	(48.6)	81.0
Total capital assets not being depreciated	176.7	79.7	-	(48.6)	207.8
Capital assets being depreciated:					
(2) Buildings	1,738.4	6.7	-	14.0	1,759.1
(3) Other Improvements	1,240.4	21.8	-	34.6	1,296.8
(4) Intangible Assets	69.7	0.1	-	-	69.8
Personal Property & Equipment	212.2	11.1	(23.7)	-	199.6
Total capital assets - Depreciated	3,260.7	39.7	(23.7)	48.6	3,325.3
Less accumulated depreciation for:					
(5) Buildings	(702.0)	(30.8)	-	-	(732.8)
(6) Other Improvements	(845.4)	(44.0)	-	-	(889.4)
(7) Intangible Property	(48.0)	(4.0)	-	-	(52.0)
Personal Property & Equipment	(156.7)	(15.1)	22.5	-	(149.3)
Total accumulated depreciation	(1,752.1)	(93.9)	22.5	-	(1,823.5)
Total capital assets being depreciated, net	1,508.6	(54.2)	(1.2)	48.6	1,501.8
Governmental Activity - Capital Assets, Net	1,685.3	25.5	(1.2)	-	1,709.6

(1) The beginning balance for WIP was adjusted to reflect a ($12.7) million in assets not capitalized in FY 2017 and to remove items not deemed capitalizable.
(2) The Building beginning balance was increased by $2.3 million to properly add assets not capitalized in FY 2017.
(3) The Improvements beginning balance was increased by $9.1 million to properly add assets not capitalized in FY 2017.
(4) The Intangible Assets beginning balance was increased by $4.6 million to properly add assets not capitalized in FY 2017.
(5) The beginning accumulated depreciation balance for Building was increased by $0.1 million.
(6) The beginning accumulated depreciation balance for Improvements was increased by $0.5 million.
(7) The beginning accumulated depreciation balance for Intangible Assets was increased by $0.8 million.

(Amounts In Millions of USD)

Business-type Activities:	Beginning Balance	(1) Adjustment	Increases	Decreases	Ending Balance
Capital assets not being depreciated:					
Land	88.2	2.8	0.4	(0.3)	91.1
Fine Arts	0.8	-	-	-	0.8
Construction In Process	188.4	-	217.8	(191.2)	214.9
Total capital assets not being depreciated	277.3	2.8	218.2	(191.5)	306.8
Capital assets being depreciated:					
Buildings	2,411.8	-	22.6	(0.5)	2,433.9
Other Improvements	340.5	10.9	11.0	-	362.4
Equipment	584.3	(25.7)	27.8	(2.3)	584.0
Infrastructure	1,809.9	-	142.0	(4.2)	1,947.7
Total capital assets being depreciated	5,146.5	(14.8)	203.3	(7.0)	5,328.0
Less accumulated depreciation for:					
Buildings	(1,353.3)	-	(72.0)	18.4	(1,406.9)
Other Improvements	(175.9)	(23.1)	(11.6)	-	(210.5)
Equipment	(272.6)	36.7	(16.6)	0.3	(252.2)
Infrastructure	(859.4)	-	(40.6)	(3.9)	(903.9)
Total accumulated depreciation	(2,661.2)	13.6	(140.7)	14.8	(2,773.6)
Total capital assets being depreciated, net	2,485.3	(1.3)	62.6	7.8	2,554.4
Capital assets, net	2,762.6	1.5	280.8	(183.7)	2,861.2

(1) The Philadelphia Parking Authority adjusted their FY18 capital assets' beginning balances for a net adjustment of $1.5 million.

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 $141.2 million notes outstanding at June 30, 2018.

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 2018, $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, 2018, HUD had disbursed $198.6 million in loans to PIDC and the amount of outstanding HUD Section 108 Notes Payable was $78.47 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 12/31/17 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, 2018 are as follows:

Year ending June 30,	
2018	12,314,000
2019	3,686,000
2020	3,856,000
2021	4,190,000
2022	4,404,000
Thereafter	50,022,000
Total	$ 78,472,000

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 2018. The letters of credit supporting PGW's combined commercial paper programs set the maximum level of outstanding notes plus interest at $120.0 million in FY 2017. There were no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) or Gas Works Revenue Notes outstanding at August 31, 2018 and 2017, respectively. The commitment amount is $120.0 million under the current credit agreements. The expiration date of the credit agreements is December 31, 2021.

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 1.017% and matures April 1, 2018. The balance of the note payable at March 31, 2018 is $4,793,700.

On March 31, 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 variable interest rate equal to 67% of 1-month LIBOR Rate plus 0.60% (60 basis points) and matures April 1, 2018. The balance of the note payable at March 31, 2018 is $13,488,093.

The terms of these notes were modified on April 1, 2018, to extend the due date of the notes to April 1, 2020. The notes bear a variable interest rate equal to 80% of LIBOR Rate plus 1.09%.

The aggregate annual principal and sinking fund payments of debt at March 31, 2018 are as follows:

Fiscal Year	Revenue Bonds		Notes Payable		
Ending March 31,	Principal	Interest	Principal	Interest	Total
2019	$ 14,520,515	$ 5,729,890	$ 18,281,793	$ 17,940	$ 38,550,138
2020	15,030,515	5,042,824			20,073,339
2021	15,635,515	4,295,497			19,931,012
2022	13,915,515	3,578,097			17,493,612
2023	14,575,515	2,879,179			17,454,694
2024 - 2028	38,237,573	6,578,399			44,815,972
2029 - 2030	17,289,742	863,572			18,153,314
	$ 129,204,890	$ 28,967,458	$ 18,281,793	$ 17,940	$ 176,472,081

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, 2018, the statutory limit for the City is $8.0 billion, the General Obligation Debt, net of deductions authorized by law, is $2.1 billion; leaving a legal debt borrowing capacity of $5.9 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	5.2	23.7	(0.3)	28.6	13.8
Refunding Bonds	920.9	80.8	(51.5)	950.2	50.0
Serial Bonds	505.6	227.1	(101.8)	630.9	18.1
Add: Bond Premium	78.0	48.1	(19.2)	106.9	0.0
Less: Unamortized Discount	(0.6)	0.0	0.1	(0.5)	0.0
Total Bonds Payable - General Obligation Bonds	1,509.1	379.7	(172.7)	1,716.1	81.9
Bonds Payable - Blended Component Units					
Term Bonds - PMA	195.5	0.0	(28.7)	166.8	13.9
Term Bonds - PICA	213.9	0.0	(45.4)	168.5	38.8
Add: Bond Premium	34.6		(7.6)	27.0	0.0
Total Bonds Payable - Blended Component Units	444.0	0.0	(81.7)	362.3	52.7
Total Bonds Payable	1,953.1	379.7	(254.4)	2,078.4	134.6
Obligations Under Lease & Service Agreements					
Pension Service Agreement	927.2	30.0	(104.9)	852.3	104.9
Neighborhood Transformation	174.7	0.0	(8.2)	166.5	9.8
One Parkway	32.1	27.5	(32.1)	27.5	2.7
Sports Stadium	262.8	0.0	(14.0)	248.8	14.5
Library	5.6	0.0	(0.6)	5.0	0.6
Cultural Corridor Bonds	89.2	0.0	(4.2)	85.0	4.4
City Service Agreement	299.8	0.0	0.0	299.8	0.0
PAID School District	14.7	0.0	(14.7)	0.0	0.0
Affordable Housing Preservation Project	0.0	52.9	0.0	52.9	1.7
Philadelphia Museum of Art	0.0	10.3	0.0	10.3	0.4
Add: Bond Premium	35.5	12.1	(5.7)	41.9	0.0
Total Obligations Under Lease & Service Agreements	1,841.6	132.8	(184.4)	1,790.0	139.0
Other Long-term Liabilities					
Legal Claims	58.5	44.2	(44.6)	58.1	0.0
Worker's Compensation Claims	242.4	48.6	(56.3)	234.7	0.0
Medical Claims	28.4	91.6	(96.4)	23.6	23.6
Termination Compensation Payable	233.2	31.1	(21.5)	242.8	24.3
Leases	4.4	252.5	(7.6)	249.3	5.1
Total Other Long-term Liabilities	566.9	468.0	(226.4)	808.5	53.0
Total Bonds Payable, Obligations Under Lease & Svc Agreements, and OLTL	4,361.6	980.5	(665.2)	4,676.9	326.6
Net Pension and OPEB Liability					
Net Pension Liability	5,477.0	0.0	(99.3)	5,377.7	0.0
OPEB Liability	323.2	1,332.9	0.0	1,656.1	0.0
Total Net Pension and OPEB Liability	5,800.2	1,332.9	(99.3)	7,033.8	0.0
Governmental Activity Long-term Liabilities	10,161.8	2,313.4	(764.5)	11,710.7	326.6

In addition, both blended component units have debt that is classified on their respective balance sheets as General Obligation debt payable. The following schedule summarizes the General Obligation Bonds outstanding for the City, the **PMA** and **PICA**:

(Amounts in Millions of USD)

	Interest Rates					Principal	Due Dates			
Governmental Funds:										
City	3.000	%	to	5.450	%	1,609.7	Fiscal	2019	to	2042
PMA	2.000	%	to	5.500	%	166.8	Fiscal	2019	to	2044
PICA	4.000	%	to	5.000	%	168.5	Fiscal	2019	to	2023
						1,945.0				

- In August 2017, the City issued $331.6 million of General Obligation Bonds Series 2017A. The total proceeds were $379.7 million (including a premium of $48.1 million). The proceeds of the sale were used to fund the City's capital projects and to refund the Series 2009A, 2011 and 2013A Bonds. The interest rates of the Bonds that were refunded ranged from 4.75% to 6.0%. The interest rates of the newly issued Bonds ranged from 3% to 5%. The transaction resulted in a total savings to the City of $9.9 million over the next 20 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was $7.5 million.

  The City has General Obligation Bonds authorized and un-issued at year-end of $491.2 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
2019	82.0	77.0	13.9	7.5	38.8	8.4
2020	84.5	73.0	4.9	7.1	40.5	6.5
2021	78.2	69.0	5.1	6.9	32.9	4.4
2022	81.8	65.0	5.4	6.7	34.4	2.8
2023	86.9	60.8	5.6	6.4	21.9	1.1
2024-2028	480.1	234.0	32.7	27.5	-	-
2029-2033	447.9	119.7	29.5	20.6	-	-
2034-2038	225.8	34.8	42.1	12.3	-	-
2039-2043	42.5	3.3	23.7	3.4	-	-
2044-2046	-	-	3.9	0.2	-	-
Totals	1,609.7	736.6	166.8	98.6	168.5	23.2

The debt service through maturity for Lease and Service Agreements is as follows:

(Amounts in Millions of USD)

Fiscal Year	Lease & Service Agreements: Pension Service Agreement Principal	Pension Service Agreement Interest	Neighborhood Transformation Principal	Neighborhood Transformation Interest	One Parkway Principal	One Parkway Interest	Sports Stadium Principal	Sports Stadium Interest
2019	99.7	35.0	9.8	8.3	2.7	1.1	14.5	9.9
2020	93.3	41.4	10.3	7.8	2.6	1.2	15.4	9.2
2021	58.3	41.5	10.8	7.3	2.7	1.1	16.0	8.6
2022	58.5	46.3	11.3	6.8	2.9	1.0	16.7	7.9
2023	21.9	37.9	11.9	6.2	3.0	0.8	17.4	7.2
2024-2028	295.6	172.0	64.0	22.3	13.7	1.8	98.8	24.7
2029-2033	225.0	7.4	48.4	4.9	-	-	70.0	4.4
2034-2038	-	-	-	-	-	-	-	-
Totals	852.3	381.5	166.5	63.6	27.6	7.0	248.8	71.9

(Amounts in Millions of USD)

Fiscal Year	Central Library Principal	Central Library Interest	Cultural Corridors Principal	Cultural Corridors Interest	City Svc Agreement Principal	City Svc Agreement Interest	Affordable Housing Principal	Affordable Housing Interest	Museum of Art Principal	Museum of Art Interest
2019	0.6	0.2	4.4	4.1	-	11.8	1.7	2.5	0.4	0.4
2020	0.7	0.1	4.5	3.9	-	11.8	1.8	2.5	0.3	0.5
2021	0.7	0.1	4.7	3.7	23.2	11.8	1.9	2.4	0.3	0.5
2022	0.7	0.1	5.0	3.4	19.0	10.9	2.0	2.3	0.3	0.5
2023	0.7	0.1	5.2	3.2	64.7	10.2	2.1	2.2	0.4	0.4
2024-2028	1.6	0.1	30.6	11.6	192.9	15.3	12.2	9.4	2.2	1.9
2029-2033	-	-	30.6	3.2	-	-	12.1	6.6	2.8	1.3
2034-2038	-	-	-	-	-	-	19.1	2.5	3.6	0.6
Totals	5.0	0.7	85.0	33.1	299.8	71.8	52.9	30.4	10.3	6.1

(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	3,183.4	868.4	(630.1)	3,421.7	163.4
Add: Bond Premium	187.6	138.3	(32.6)	293.3	-
Total Bonds Payable	3,371.0	1,006.7	(662.7)	3,715.0	163.4
Other Long Term Liabilities					
Indemnity Claims	7.5	6.8	(7.4)	6.9	-
Worker's Compensation Claims	27.1	8.6	(6.7)	29.0	-
Termination Compensation Payable	18.6	4.1	(2.0)	20.7	-
Arbitrage	-	-	-	-	-
Total Other Long Term Liabilities	53.2	19.5	(16.1)	56.6	-
Total Bonds Payable & Other Long Term Liabilities	3,424.2	1,026.2	(678.8)	3,771.6	163.4
Net Pension and OPEB Liability					
Net Pension Liability	661.7	7.0	(19.3)	649.4	-
Net OPEB Liability (1)	213.8	1.7	(10.0)	205.5	-
Total Net Pension and OPEB Liability	875.5	8.7	(29.3)	854.9	-
Business-Type Activity Long-term Liabilities	4,299.7	1,034.9	(708.1)	4,626.5	163.4

'(1) The Business Type Activity Long-Term Liabilities beginning balance has been adjusted to reflect the implementation of GASB No 75.

The City has General Obligation Bonds authorized and un-issued at fiscal year-end of $303.6 million. This includes $211.6 million for the Enterprise Funds and $92 million for **PGW.**

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	1.193	%	to	5.250	%		1,824.5	Fiscal	2019	to	2053
Aviation Fund	3.000	%	to	5.250	%		1,597.2	Fiscal	2019	to	2048
Total Revenue Debt Payable							3,421.7				

- In August 2017, the City issued $174.1 million of Water and Wastewater Revenue Bonds Series 2017B Bonds to refund the outstanding Series 2007B, 2010C and 2012 Bonds in the amount of $216.1 million and to pay the costs of issuing the Series 2017B Bonds. The total proceeds of the 2017B Bonds were $209.5 million (which includes a premium of $35.4 million). The interest rates of the bonds that were refunded ranged from 3.75% to 5.0%. The interest rates of the newly issued bonds range from 2.0% to 5.0%. The transaction resulted in a total savings to the City of $60.5 million over the next 18 years, the economic gain was $47.6 million.
- In December 2017, the City issued $692.5 million of Airport Revenue Bonds Series 2017 Bonds to refund the outstanding Series 2007A, 2007B and 2009A Bonds in the amount of $226.5 million, to refund certain outstanding commercial paper notes, to pay for a portion of the Airport Capital Projects, to provide for capitalized interest on a portion of the 2017 Bonds, to fund a deposit to the Airport Sinking Fund Reserve Account and to pay the costs of issuing the Series 2017 Bonds. The total proceeds of the 2017 Bonds were $795.4 million (which includes a premium of $102.9 million). The interest rates of the bonds that were refunded ranged from 4.0% to 5.375%. The interest rates of the newly issued bonds range from 3.0% to 5.0%. The transaction resulted in a total savings to the City of $17.0 million over the next 20 years, the economic gain was $13.6 million.
- In July 2010, the City of Philadelphia - Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B); bringing the total financing from PENNVEST to $214.9 million. During fiscal year 2018, PENNVEST draw-downs totaled $1.8 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment 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 Though 6/30/18	Current Balance Outstanding 6/30/18	Purpose
Oct 2009	2009B	42,886,030	31,216,779	19,409,742	Water Plant Improvements
Oct 2009	2009C	57,268,193	49,157,776	33,624,172	Water Main Replacements
Mar 2010	2009D	84,759,263	75,744,096	52,615,521	Sewer Projects
Jul 2010	2010B	30,000,000	28,500,000	22,248,264	Green Infrastructure Project
	Totals	214,913,486	184,618,651	127,897,699	

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

(Amounts in Millions of USD)

Fiscal Year	Water Fund Principal	Water Fund Interest	Aviation Fund Principal	Aviation Fund Interest
2019	102.6	83.5	60.8	76.0
2020	95.4	78.8	66.6	71.8
2021	77.6	74.9	71.1	68.5
2022	71.4	71.5	194.2	64.7
2023	73.9	68.3	79.9	58.1
2024-2028	275.7	301.4	410.8	233.0
2029-2033	296.7	238.0	202.8	153.2
2034-2038	253.1	178.8	216.3	101.5
2039-2043	320.5	109.1	135.8	55.5
2044-2048	173.4	37.9	158.9	20.6
2049-2053	84.2	11.3	-	-
Totals	1,824.5	1,253.5	1,597.2	902.9

(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	384.0
Enterprise Funds:	
Water Fund Revenue Bonds	211.0
	595.0

(4) Short -Term Borrowings

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid $125 million in Tax Revenue Anticipation Notes by June 2018 plus interest. In accordance with statute, there are no temporary loans outstanding at year-end.

	(Amounts in Millions of USD)
Tax Revenue Anticipation Notes:	
Balance July 1, 2017	-
Additions	125.0
Deletions	(125.0)
Balance June 30, 2018	-

(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, 2018, 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, 2018, 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, 2018		
Governmental Activities	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(5,199)	Debt	(15,244)	100,000
	Deferred Outflow	(4,304)	Debt	(10,332)	87,759
	Deferred Outflow	(4,559)	Debt	(9,357)	87,961
	Deferred Outflow	(1,435)	Debt	(3,443)	29,246
	Deferred Outflow	(1,523)	Debt	(3,140)	29,314
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(4,631)	Debt	(3,711)	99,300
	Deferred Outflow	(353)	Debt	(3)	165

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2018, along with the credit rating of the associated counterparty.

City Entity:	City GO	Airport	Water
Related Bond Series	2009B (1)	2005C Refunding	2005 Refunding
Initial Notional Amount	$313,505,000	$189,500,000	$86,105,000
Current Notional Amount	$100,000,000	$99,300,000	$165,000
Termination Date	8/1/2031	6/15/2025	8/1/2018
Product	Fixed Payer Swap	Fixed Payer Swap (2)	Fixed Payer Swap (3)
Rate Paid by Dealer	SIFMA	SIFMA	Bond Rate / 68.5% of 1-mo LIBOR
Rate Paid by City Entity	3.829%	Multiple Fixed Rates	4.53%
Dealer	Royal Bank of Canada	JP Morgan Chase Bank, N.A.	Citigroup Financial Products, Inc.
Dealer Rating	Aa2/AA-	Aa3/A+	Baa1/BBB+ (Citigroup, Inc.)
Fair Value (4)	($15,244,279)	($3,711,339)	($2,675)

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

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

a. City of Philadelphia 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 29, 2018, 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 29, 2018, the swap had a negative fair value of $15.24 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 29, 2018, 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 29, 2018, 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	-1.51000%
Net interest rate swap payments		2.31900%
Variable rate bond coupon payments	Weekly reset	1.50000%
Synthetic interest rate on bonds		3.81900%

Swap payments and associated debt:

As of June 29, 2018, 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
2019	$0	$1,500,000	$2,319,000	$3,819,000
2020	0	1,500,000	2,319,000	3,819,000
2021	0	1,500,000	2,319,000	3,819,000
2022	0	1,500,000	2,319,000	3,819,000
2023	0	1,500,000	2,319,000	3,819,000
2024-2028	30,535,000	7,500,000	11,595,000	19,095,000
2029-2032	69,465,000	2,656,800	4,107,413	6,764,213
Total:	$100,000,000	$17,656,800	$27,297,413	$44,954,213

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	A3/A- (Bank of America Corp.)	Aa3/A+	A3/A- (Bank of America Corp.)	Aa3/A+	A3/A- (Bank of America Corp.)
Fair Value (4)	($796,991)	($10,331,500)	($3,442,814)	($9,356,531)	($3,140,047)

(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 5/3/2014, 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 5/3/2014, 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 as a means to increase **PAID's** savings when compared with fixed-rate bonds at the time of issuance. The intention of the swaps was to create a synthetic fixed-rate structure.

Terms: The total original notional amount of the two swaps was $289.7 million which matched the principal amount of the 2007B bonds issued. One swap, with a notional amount of $217.3 million, was executed with JP Morgan Chase Bank. The other swap, with a notional amount of $72.4 million was executed with Merrill Lynch Capital Services, Inc. Both swaps commenced on October 25, 2007 and will terminate on October 1, 2030. Under the swaps, **PAID** pays a fixed rate of 3.9713% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule.

In May 2014, PAID fully refunded the 2007B-1 bonds with the 2014A bonds, a directly purchased note. The 2014As pay interest on a LIBOR-linked index. Concurrently, the two swaps were amended such that the floating rate index on the portions allocable to the 2007B-1 bonds 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 29, 2018, the swaps together had a notional amount of $234.3 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 29, 2018, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of $10.332 million, the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of $3.443 million, the LIBOR-based swap with JP Morgan Chase Bank had a negative fair value of $9.357 million and the LIBOR-based swap with Merrill Lynch Capital Services had a negative fair value of $3.140 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 29, 2018, **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 29, 2018, 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	-1.51000%
Net interest rate swap payments		2.46130%
Variable rate bond coupon payments	Weighted Average Weekly resets	1.48762%
Synthetic interest rate on bonds		3.94892%

As of June 29, 2018, 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	-1.51000%
Net interest rate swap payments		2.46130%
Variable rate bond coupon payments	Weighted Average Weekly Resets	1.48762%
Synthetic interest rate on bonds		3.94892%

As of June 29, 2018, 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	-1.46318%
Net interest rate swap payments		2.15683%
Variable rate bond coupon payments	70% of 1-month LIBOR + fixed spread	1.46318% *
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 29, 2018, 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	-1.46318%
Net interest rate swap payments		2.16883%
Variable rate bond coupon payments	70% of 1-month LIBOR + fixed spread	1.46318% *
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 29, 2018, 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
2019	$0	$3,456,533	$5,412,778	$8,869,312
2020	15,355,000	3,456,533	5,412,778	8,869,312
2021	16,015,000	3,229,989	5,058,029	8,288,018
2022	16,695,000	2,993,707	4,688,030	7,681,737
2023	17,405,000	2,747,391	4,302,319	7,049,710
2024-2028	98,820,000	9,658,552	15,125,083	24,783,634
2029-2031	69,990,000	2,093,948	3,279,107	5,373,055
Total:	$234,280,000	$27,636,654	$43,278,124	$70,914,778

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 29, 2018, the swap had a notional amount of $99.3 million and the associated variable-rate bonds had a $99.3 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 29, 2018, the swap had a negative fair value of $3.71 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 29, 2018, 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.

As of June 29, 2018, the rates were:

Terms	Rates	
Interest Rate Swap		
Fixed payment to JP Morgan under swap	Fixed-declining	3.59720%
Variable rate payment from JP Morgan under swap	SIFMA	-1.51000%
Net interest rate swap payments		2.08720%
Variable rate bond coupon payments	Weekly resets	1.53000%
Synthetic interest rate on bonds		3.61720%

Swap payments and associated debt:

As of June 29, 2018, 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
2019	$12,200,000	$1,519,290	$2,072,586	$3,591,876
2020	13,000,000	1,332,630	1,499,856	2,832,486
2021	13,700,000	1,133,730	1,042,356	2,176,086
2022	14,300,000	924,120	695,786	1,619,906
2023	14,900,000	705,330	360,846	1,066,176
2024-2025	31,200,000	719,100	162,500	881,600
Total:	$99,300,000	$6,334,200	$5,833,930	$12,168,130

d. City of Philadelphia, 2005 Water & Sewer Swap

Objective: In December 2002, the City entered into a swaption that provided the City with an up-front payment of $4.0 million. As a synthetic refunding of all or a portion of its 1995 Bonds, this payment approximated the present value savings, as of December 2002, of a refunding on May 4, 2005. The swaption gave Citigroup (formerly of Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: Citigroup exercised its option to enter into a swap May 4, 2005, and the swap commenced on that date. Under the terms of the swap, the City pays a fixed rate of 4.53% and receives a variable payment computed as the actual bond rate or the alternative floating rate option of 68.5% of one-month LIBOR. Citigroup is currently paying 68.5% of one-month LIBOR under the swap. The payments are based on an amortizing notional schedule (with an initial notional amount of $86.1 million), and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into.

In May 2013, the City and Water Department converted the original variable rate bonds associated with the swap to an index-based rate, terminating the existing letter of credit in the process.

As of June 29, 2018, the swap had a notional amount of $165,000 and the associated variable-rate bond had a $165,000 principal amount. The bonds' variable-rate coupons are based on the same index as the receipt on the swap. The bonds mature on August 1, 2018 and the related swap agreement terminates on August 1, 2018.

Fair value: As of June 29, 2018, the swap had a negative fair value of $2,675. This means that the Water Department would have to pay this amount if the swap terminated. 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 29, 2018, the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. Since the City is now receiving 68.5% of one-month LIBOR and paying 68.5% of one month LIBOR plus a fixed spread, the City is no longer exposed to basis risk or tax risk. The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the ratings of Citigroup or its Credit Support Provider fall below A3 and A-, or by Citigroup if the rating of the City's water and wastewater revenue bonds falls below A3 or A-. There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation (formerly FSA), no termination event based on the City's water and wastewater revenue bond ratings can occur as long as Assured is rated at least A or A2.

As of June 29, 2018, rates were as follows:

Terms	Rates	
Interest Rate Swap		
Fixed payment to Citi	Fixed	4.53000%
Variable rate payment from Citi	68.5% of 1-month LIBOR	-1.43182%
Net interest rate swap payments		3.09818%
Variable rate note coupon payments	68.5% of 1-month LIBOR + fixed spread	1.43182% *
Synthetic interest rate on bonds		4.53000%

**Excludes fixed spread, which is similar to the City's expected Letter of Credit costs on a comparable variable rate bond*

Swap payments and associated debt:

As of June 29, 2018, 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
2019	$165,000	$2,363	$5,112	$7,475
Total:	$165,000	$2,363	$5,112	$7,475

(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 2018 Pension Funding Bonds liability of $852.3 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 will be initially issued in the name of Cede & Co., as nominee for The Depository Trust Company (DTC), which will act as securities depository. The bonds are subject to optional redemption prior to maturity. Interest on the series bonds range from 2% to 5% and is payable on April 15 and October 15 each year until maturity in 2026.

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 2018 NTI Service Agreement liability of $166.5 million is reflected in the City's financial statements as another Long-Term Obligation.

(9) Sports Stadium Financing Agreement

In FY 2002, **PAID** issued $346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of **PAID**. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In October 2007 PAID issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. PAID assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, PAID treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2018, the Sports Stadium Financing Agreement liability of $248.8 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 2018 the liability of $5.0 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 2018 the liability of $85.0 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 2018, 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 2018, the $52.9 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 2018, the liability of $10.3 million for the Philadelphia Museum of Art - Series 2018A Bonds and the $27.6 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) School District

In June 2014, **PAID** issued City Service Agreement Revenue Bonds, **Series 2014A** in the amount of $27.2 million. The bonds shall bear interest at the LIBOR Interest Rate. The Calculation Agent will determine the LIBOR interest rate on each computation date and will become effective on the Libor index reset date next succeeding the computation date and will accrue each date during the rate period. The LIBOR interest rate will be rounded if necessary to the nearest one hundred-thousandth of a percentage point. The bonds were issued to provide additional operating funds for the School District of Philadelphia and pay the costs of issuance. The bonds have a maturity date of August 15, 2018. In fiscal year 2017, **PAID** School District liability of $14.7 million is reflected in the City's financial statements as Other Long-Term Liabilities. In October of 2014, **PAID** issued $57.5 million of Lease Revenue Bonds. The proceeds of the sale were used to refund $27.2 million of the **Series 2014A** bonds outstanding and provide the School District with $30.0 million of new funding. The interest rate of the refunded bonds was variable. The interest rate of the newly issued bonds is 1.78%. The purpose of the transaction was to provide the School District with $30.0 million of additional funding and not to generate any savings of the refunded portion of $27.2 million. The newly issued bonds have a maturity date of June 30, 2018.

(16) 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 2018, the Governmental Activities' Net Pension Liabilities (NPL) decreased by $99.3 million, resulting in a Net Pension Liability of $5.4 Billion. During FY 2018, the Business Type Activities' NPL decreased by $3.9 million, resulting in a Net Pension Liability of $657.8 million

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The **SDP** has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year-end total $3,105.4 million in principal, with interest rates from 1.25% to 6.765% and have due dates from 2019 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, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	$ 2,976.2	$ 254.9	$ (125.7)	$ 3,105.4	$ 148.1
Bond Premium	244.0	23.2	(20.0)	247.2	20.7
Bond Discount	(1.9)	(0.4)	0.4	(1.9)	(0.5)
Total Bonded Debt	3,218.3	277.7	(145.3)	3,350.7	168.3
Termination Compensation Payable	186.7	17.5	(15.2)	189.0	15.1
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	105.9	31.6	(30.5)	107.0	33.3
Incurred But Not Reported (IBNR) Payable (2)	16.0	-	(2.0)	14.0	14.0
OPEB Life Insurance Liability (3)	17.9	0.6	(2.1)	16.4	-
PSERS OPEB Liability (4)	146.6	6.3	(7.8)	145.1	-
PSERS Pension Liability	3,375.4	415.8	(272.5)	3,518.7	-
Governmental Activity - Long-Term Liabilities	$ 7,112.1	$ 749.5	$ (475.4)	$ 7,386.2	$ 276.0
Business-Type Activities:					
Termination Compensation Payable	$ 1.8	$ 0.3	$ (0.1)	$ 2.0	$ 0.2
PSERS OPEB Liability (4)	2.3	0.1	(0.1)	2.3	-
PSERS Pension Liability	51.1	6.3	(4.1)	53.3	-
Business-Type Activities - Long-Term Liabilities	$ 55.2	$ 6.7	$ (4.3)	$ 57.6	$ 0.2

1. Termination (Compensated absences), severance, unemployment, workers' compensation, claims and judgments liabilities are accrued to the governmental funds to which the individual is charged. These liabilities are then liquidated by the General Fund. In addition, OPEB and Arbitrage liabilities are fully liquidated by the General Fund.
2. IBNR is included with the Self Insurance Health Care Internal Service Fund.
3. GASB Statement No.75 implemented new requirements for OPEB Life Insurance Liabilities. Also, GASBS No.75 required OPEB Lia-bility to be restated as of the beginning period July 1, 2017.
4. The beginning balance of Long-term Liabilities under both Governmental and Business Type Activities changed due to the implementation of GASBS No.75. GASBS No. 75 required PSERS OPEB Liability to be restated as of the beginning period July 1, 2017.

The **SDP** Debt service to maturity on general obligation bonds at June 30, 2018 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

(Amounts in Thousands)

Year Ending June 30	Principal	Interest	Total
2019	$127,525	$103,582	$231,107
2020	115,435	99,610	$215,045
2021	120,600	93,839	$214,439
2022	122,710	87,776	$210,486
2023	155,830	81,732	$237,562
2024-2028	482,670	332,730	$815,400
2029-2033	453,780	200,720	$654,500
2037-2038	278,380	104,618	$382,998
2039-2043	263,245	48,763	$312,008
2044-2048	17,020	371	$17,391
Total	**$2,137,195**	**$1,153,741**	**$3,290,936**

(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 Millions of USD)

Entity	Interest Rates	Principal	Due Dates
PGW	2.00% to 5.25%	1,016.30	Fiscal 2019 to 2047
PPA	3.00% to 5.25%	129.20	Fiscal 2019 to 2030
CCP	2.00% to 6.25%	74.81	Fiscal 2019 to 2038
PHA	3.00% to 5.50%	64.22	Fiscal 2019 to 2047
	Total Revenue Debt Payable	1,284.53	

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 *
2019	51.82	44.49	14.52	5.73	6.66	3.62	7.62	3.10
2020	52.87	41.92	15.03	5.04	6.96	3.32	8.53	2.69
2021	53.77	39.39	15.64	4.30	7.26	3.00	8.97	2.24
2022	54.82	36.75	13.92	3.58	7.29	2.65	9.41	1.81
2023	56.69	33.96	14.58	2.88	7.65	2.29	2.98	1.34
2024-2028	281.99	137.45	38.24	6.58	29.83	6.57	3.34	5.67
2029-2033	160.27	91.97	17.29	0.86	4.04	1.69	4.18	4.84
2034-2038	162.99	54.40	-	-	5.12	0.62	5.01	4.01
2039-2043	79.89	26.29	-	-	-	-	6.22	2.80
2044-2047	61.21	7.84	-	-	-	-	7.98	1.04
2048 - 2072								
Totals	1016.30	514.45	129.20	28.97	74.81	23.76	64.22	29.55

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2018

‡ - PHA amount are presented as of March 31, 2018.

* Includes only PHA debt service amounts, it does not include any amouts related to PHA discretely presented component units.

* PHA Principal amounts through 2023 do not include the Capital Lease Obligation of $2.0 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 †	$	72.4
School District of Philadelphia		291.4
Total	$	363.8

† Gas Works amounts are presented as of August 31, 2018

PGW assets pledged, primarily noncallable U.S. Government securities, had a market value of $75.7 million at August 31, 2018, bearing interest on face value from 1.27% to 5.89%. In FY 2018, 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 $224.1 million in a manner consistent with the Notices of Defeasance for the 7th Series, 10th Series, 12th Series B, 17th Series, and 19th Series Gas Works Revenue Bonds, respectively.

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, 2018, $286.6 million of bonds outstanding are considered to be defeased and the liability has been removed from long-term liabilities.

b) In addition, as of June 30, 2018, the Defeasance Accounts from the Sale of SDP Property had $4.8 million 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, 2018, the arbitrage rebate calculation indicates a liability totaling $50,759.

This arbitrage liability of $50,759 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, 2018. 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, 2018, $50,759 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 payer, floating rate receiver swap to create a synthetic fixed rate for the Sixth Series Bonds. The variable rate/swap structure was used as a means to increase the City's savings, when compared with fixed-rate refunding bonds at the time of issuance. The swaps are hedging interest rate risk.

Terms – The swap was originally executed with the counterparty on January 26, 2006 and 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.

In August 2016, the underlying variable rate bonds maturing in 2017 through 2023 were refunded with fixed rate bonds and the related portions of the swaps, totalling $102,710,000 in notional amount, were terminated. PGW made a termination payment of $13,893,000 to partially terminate the swaps.

As of August 31, 2018, the swaps had a notional amount of $122,810,000 and the associated variable rate debt had a $122,810,000 principal amount, broken down by series as follows:

- The Series B swap had a notional amount of $27,370,000 and the associated variable rate bonds had a $27,370,000 principal amount.
- The Series C swap had a notional amount of $27,225,000 and the associated variable rate bonds had a $27,225,000 principal amount.
- The Series D swap had a notional amount of $40,845,000 and the associated variable rate bonds had a $40,845,000 principal amount.
- The Series E swap had a notional amount of $27,370,000 and the associated variable rate bonds had a $27,370,000 principal amount.

The final maturity date for all swaps is on August 1, 2028.

Fair value – As of August 31, 2018, the swaps had a combined mark-to-market value of negative $15,022,813 and a combined fair value of negative $14,211,469 which factors in the risk of nonperformance. The values of the interest rate swaps were estimated using the zero-coupon method and include accrued interest. 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, 2018, 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, 2018 and 2017 is as follows (thousands of U.S. dollars):

	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, 2017 Balance	14,796	594

	Interest Rate Swap Liability	Deferred ouflows of resources
August 31, 2016 Balance	31,806	14,763
Change in fair value through August 31, 2017	(8,273)	(8,273)
Amortization of terminated hedge	-	1,421
August 31, 2016 Balance	23,533	7,911

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.

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 values balances, as defined by GASBS No. 72, and notional amounts of derivative instruments outstanding at June 30, 2018, 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 2018 financial statements are as follows (amounts in thousands: debit (credit)):

(Amounts in Thousands)	Change in Fair Value		Fair Value at June 30, 2018		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment derivative Instruments:					
Pays-variable interest rate swaps	Investment revenue	$ (2,512)	Investment	$ (2,042)	$ 500,000
				$ (2,042)	

As of June 30, 2018, 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 Securities Portfolio	$ 147,953,021	$ -	$ -
Federal National Mortgage Association (FNMA)	-	17,953,110	-
Federal Home Loan Bank (FHLB)	-	9,005,854	-
US Treasury Bills	11,411,500	-	-
SIFMA Swap	-	(2,042,051)	-
Total	$ 159,364,521	$ 24,916,913	$ -

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	3,544	59,313	3,255
Additional	464	223,055	210
Sublease	11,459	-	2,014
Total Rental Expense	15,467	282,368	5,479

Future minimum rentals receivable under non-cancelable operating leases are as follows:

(Amounts In Thousands of USD)

	Primary Government		Component Units
Fiscal Year Ending June 30	Governmental Funds	Proprietary Funds	
2019	11,698	32,760	4,126
2020	11,322	32,736	3,261
2021	11,505	30,736	3,088
2022	11,691	18,187	5,317
2023	6,119	6,035	428
2024-2028	47,202	27,268	1,773
2029-2033	18,042	22,875	827
2034-2038	18,008	17,724	449
2039-2043	18,008	17,705	269
2043 - 2082			
Total	153,595	206,026	19,538

B. CITY AS LESSEE

1) OPERATING LEASES

The City's operating leases consist principally of leases for office space, data processing equipment, duplicating equipment and various other items of property and equipment to fulfill temporary needs. Rental expense for all operating leases for the year was as follows:

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	202,651	53,075	16,661
Additional Rentals	-	-	496
Sublease	-	-	2,014
Total Rental Income	202,651	53,075	19,171

At year end, the future minimum rental commitments for operating leases having an initial or remaining non-cancelable lease term in excess of one year are as follows:

(Amounts In Thousands of USD)	Primary Government		Component Units
Fiscal Year Ending June 30	Governmental Funds	Proprietary Funds	
2019	31,249	1,049	14,508
2020	26,015	557	13,695
2021	23,991	393	12,865
2022	20,901	393	14,173
2023	15,862	393	8,345
2024-2028	61,127	1,964	37,289
2029-2033	18,076	1,964	19,690
2034-2039	-	1,964	17,710
2040-2045	-	1,964	1,184
2046 thru 2082	-	-	
Total	197,222	10,642	139,459

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 a capital asset (lease hold asset) in the amount of $252.5 million. At June 30, 2018, the net book value of assets acquired under this lease agreement was $246.2 million ($252.5 million gross value, net of $6.3 million accumulated depreciation). For the year ended June 30, 2018, the City recorded $6.3 million in depreciation expense related to assets acquired under the lease.

Future minimum lease payments under this agreement are as follows:

June 30,	Principal	Interest
2019	$ 5.1	$ 10.1
2020	5.3	9.9
2021	5.5	9.7
2022	5.7	9.5
2023	6.0	9.2
2024-2028	45.5	50.3
2029-2033	94.6	47.1
2034-2037	81.6	10.2
Total	$ 249.3	$ 156.0

Component Unit:

Capital leases consist of leased real estate and equipment from various component units. Future minimum rental commitments are as follows:

Future Minimum Capital Lease Payments *(Amounts In Thousands of USD)*

Fiscal Year Ending June 30	Principal	Interest	Total
2019	451,189	70,553	521,742
2020	467,220	46,993	514,213
2021	460,327	22,992	483,319
2022	185,475	3,791	189,266
Totals	1,564,211	144,329	1,708,540

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 FY2018 and FY2017. 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 $78.9 million at June 30, 2018. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health ($279.4 million); Grants Revenue ($31.3 million); County Liquid Fuels ($9.9 million); Special Gasoline Tax ($47.2 million); Hotel Room Rental Tax ($13.9 million); Car Rental Tax ($5.8 million); Housing Trust ($33.3 million); Acute Care Hospital Assessment ($17.4 million); Departmental ($9.9 million); Municipal Authority Administrative ($0.2 million); PICA Administrative ($24.9 million). The Debt Service Fund had a Restricted Fund Balance of ($63.0 million) and entire fund balance of the Capital Improvement ($161.0 million) funds was restricted. The Permanent Fund had a restricted fund balance of $3.8 million at June 30, 2018.

- 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 $3.5 million, and Departmental $1.1 million.

- Assigned Fund Balance ─ Includes amounts that are constrained by government's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Budget Director, other authorized department heads or their designees to which the Finance Director has granted the authority to assign amounts to be used for specific purposes. There is no prescriptive action to be taken by the authorized officials in removing or modifying the constraints imposed on the use of the assigned amounts. The General Fund reported an assigned fund balance of $127.0 million at June 30, 2018 which represents the encumbrance balance at the end of the reporting period.

- Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed or restricted or non-spendable. The General Fund had a $195.0 million unassigned fund balance at June 30, 2018. Within the Special Revenue Funds, the Grants Revenue Fund had a negative unassigned fund balance of $288.5 million and the Community Development Fund had a negative unassigned fund balance of $8.7 million at June 30, 2018.

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, 2018:

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	-	-	167	-	167
Economic Development	-	-	-	13,889	13,889
Public Safety Emergency Phone System	-	-	31,158	-	31,158
Streets & Highways	-	-	-	57,087	57,087
Housing and Neighborhood Dev	-	-	-	33,278	33,278
Health Services	-	-	-	17,384	17,384
Behavioral Health	-	279,396	-	-	279,396
Parks & Recreation	-	-	-	1,204	1,204
Libraries & Museums	-	-	-	3,118	3,118
Intergovernmental Financing	-	-	-	24,911	24,911
Stadium Financing	-	-	-	5,768	5,768
Cultural & Commercial Corridor Project	1,463	-	-	-	1,463
Pension Obligation Bonds	21,795	-	-	-	21,795
Debt Service Reserve	-	-	-	62,901	62,901
Capital Projects	-	-	-	161,020	161,020
Affordable Housing Project	44,298	-	-	-	44,298
Art Museum Project	11,369	-	-	-	11,369
Trust Purposes	-	-	-	9,449	9,449
Subtotal Restricted	**78,925**	**279,396**	**31,325**	**390,009**	**779,655**
Committed, Reported in:					
Social Services	-	-	-	30	30
Prisons	-	-	-	3,478	3,478
Parks & Recreation	-	-	-	1,099	1,099
Subtotal Committed	**-**	**-**	**-**	**4,607**	**4,607**
Assigned to:					
General Management & Support	43,008				43,008
Social Services	28,357				28,357
Prisons	25,444				25,444
Health Services	9,955				9,955
Other	20,237	-	-	-	20,237
Subtotal Assigned	**127,000**	**-**	**-**	**-**	**127,000**
Unassigned Fund Balances:	195,045	-	(288,485)	(8,721)	(102,161)
Subtotal Unassigned	**195,045**	**-**	**(288,485)**	**(8,721)**	**(102,161)**
Total Fund Balances	**400,970**	**279,396**	**(257,160)**	**389,422**	**812,627**

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 collects a portion of the wage tax paid by City residents and transfers funds that are not needed for debt service and administrative costs to the general fund. Also, the general fund and the PICA administrative fund make transfers to the debt service funds for principal and interest payments.

Transfers between fund types during the year were:

(Amounts in Thousands of USD)

	Transfers To:				
	Govermental	Non Major Governmental			
		Special	Debt	Capital	
Transfers From:	General	Revenue	Service	Improvement	Total
General Fund	$ -	$ 12,003	$ 183,111	$ 30,850	$ 225,964
Grants Revenue Fund	37,831	1,197	4,780	-	43,808
Non major Special Rev. Fds	454,205	75	44,603	530	499,413
Permanent Funds	-	48	-	-	48
Water Fund	1,628	31,652	-	-	33,280
Total	$ 493,664	$ 44,975	$ 232,494	$ 31,380	$ 802,513

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 2018 totaled, **$2,984,110.00**

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 2018 totaled, **$1,452,922.00**

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 2018 were:

- **State ACT 175, $2,224,421**
- **Ord. 961, $5,206,308**
- **Ord. 1130, $27,849,489**
- **Ord. 1456-A, $14,966,250**

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 tax abatement programs for fiscal year 2018 were:

Net Profit Tax Credits		
City Portion of Net Profit Tax	$	5,102,488
PICA Portion of Net Profit Tax		4,805,256
Total Net Profit Tax credits	$	9,907,744
Real Estate Tax Credits		10,323,993
Business Income & Receipt Tax Credits		75,734,208
Total KOZ Tax Credits	$	95,965,945

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 2018 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	$	2,984,110
Job Creation Tax Credit		1,452,922
Total	$	4,437,032
Real Estate Tax Abatement Agreements entered into by the City of Philadelphia		
DEVELOPMENT STATE ACT 205/175	$	2,224,421
ORD 961 UNCAPPED		5,206,308
ORD 1130 AS AMENDED 10 YRS		27,849,489
ORD 1456-A/983 AS AMENDED - 10 YEARS RESIDENTIAL		14,966,250
Total	$	50,246,469
Tax Abatement Agreements entered into by Other Governments		
Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	$	10,323,993
Net Profit Tax (KOZ Credit)		9,907,744
Business Income & Receipt Tax (KOZ Credit)		75,734,208
Total	$	95,965,945
As of June 30, 2018, the grand total of forgone revenues as a result of all the tax abatement programs was:	$	150,649,446

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 2018 tax revenues were redirected as result of the TIF program was **$6,153,223**.

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	$ 2,120.3
Service Agreements	1,748.1
Indemnity Claims	81.7
Employee Related Obligations	477.5
Leases	249.3
Total Adjustment:	$ 4,676.9

14. PRIOR PERIOD ADJUSTMENTS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

A. PRIMARY GOVERNMENT

The **Governmental Activities**' Net Position decreased by $1,308.5 million as a result of:

- Increase in the OPEB liability by $1,298.6 million due to the implementation of GASB 75,
- Increase in Governmental Activities Capital Assets Accumulated Depreciation of $9.9 million as a result of an error in prior period removal.

The effect of the adjustments is reflected as decrease to the Governmental Activities' Net Position as of July 1, 2017 in the June 30, 2018 Statement of Activities - Exhibit II.

The **Water Fund's** Net Position decreased by $107.9 million as a result of:

- Increase in the OPEB liability by $136.8 million due to the implementation of GASB 75,
- Recognized $(4.2) million of the federal subsidy portion of various projects placed in service in the previous year.
- The net effect of $(19.5) million due to calculation adjustment of accumulated depreciation.
- Net effect of $(6.3) million for projects previously expensed that should have been included in fixed assets and duplicate projects that should have been removed.
- Adjustment of amortization of bond discount/premium in the amount of $1.1 million to coincide with the debt manager's schedule.

The effect of the adjustments is reflected as decrease to the Water Fund's Net Position as of July 1, 2017 in the June 30, 2018 Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds, Exhibit VII.

The **Aviation Fund's** Net Position decreased by $68.0 million as a result of:

- Establishing the Airport's share of the City's net other post-employment benefits (OPEBs) liability of ($68.4) million and deferred outflows of resources of nearly $4.1 million; the net of these two entries is ($64.3) million,
- Prior year deferred inflows related to pensions being erroneously reported as a credit on the balance sheet; the adjusting journal entry was nearly ($1.0) million,
- Prior year offset to construction-in-progress understating the asset by $13.7 million,
- Recalculating the Airport's depreciation expense for prior periods, thereby increasing accumulated depreciation by nearly ($27.7) million.
- Reclassification of prior year construction-in-progress to interest expense of $12.5 million
- Correcting entry charged to operating expense from prior year construction-in-progress asset of ($2.6) million
- Correcting entry to other revenues from prior year accounting error of $1.4 million.

The effect of the adjustment is reflected as a decrease to the Aviation Fund's Net Position as of July 1, 2017 in the June 30, 2018 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds, Exhibit VII.

B. COMPONENT UNIT

1. The **SDP** Governmental Funds:

Prior Period Adjustment:
SDP's District-wide net position beginning balances were increased by $1,993,991. This adjustment involved: (1) a decrease in Construction in Progress in the amount of $12,651,915 which includes the removal of items that do not meet the capitalization requirements in the amount of $1,215,356 and transfers to Building and Improvement accounts in the amounts of $2,350,889 and $9,085,669 respectively, (2) an increase in Intangible assets in the amount of $4,603,097, (3) an increase to Building and Improvement Accumulated Depreciation accounts in the amounts of $71,676 and $554,890 respectively, and (4) an increase to Intangible Assets Accumulated Depreciation in the amount of $767,183.

Prior Period Restatement:
The **SDP** has restated its July 1, 2017 net position in its governmental and business-type activities to record the net pension liabilities, deferred outflows and deferred inflows at June 30, 2018 in accordance with the requirements of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

The net result of this change is outlined in the graph below:

	Governmental Activities			Business-Type Activities	Total OPEB Government-Wide
	OPEB PSERS Healthcare	OPEB Life Insurance	Total OPEB Governmental Activities	OPEB PSERS Healthcare	Total OPEB
Add:					
Deferred Outflows	$ 7,878,946	$ -	$ 7,878,946	$ 124,394	$ 8,003,340
Less:					
Non-Current Liabilities	146,616,712	15,789,630	162,406,342	2,314,804	164,721,146
Deferred Inflows	-	1,590,940	1,590,940	-	1,590,940
Net Position Adjustment	$ (138,737,766)	$ (17,380,570)	$ (156,118,336)	$ (2,190,410)	$ (158,308,746)

2. Philadelphia Parking Authority:

During the year, PPA's management determined it was necessary to restate its beginning net position amounts as a result of fixed assets, liabilities and bond premium/discount balance adjustments. Management 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. 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. 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.

(Amounts in Thousands)		PPA
Net position, as previously reported, at March 31, 2017	$	14,040
Prior Period Adjustments:		
Adjustment to property and equipment	$	1,487
Adjustment to bond premiums & discounts		1,050
Adjustment to reconcile liabilities		(6,132)
Total prior period adjustment		(3,595)
Net position, as restated, at March 31, 2017	$	10,445

3. PGW

In FY 2018, PGW retrospectively adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), as of September 1, 2016. The adoption of this standard resulted in the following restatement of Net Position:

Condensed Statements of Revenues and Expenses and Changes in Net Position

(Thousands of U.S. dollars)

		Years ended August 31		
		2018	2017 (a)	2016 (a)
Total gas revenues, net	$	628,254	588,414	545,215
Other revenues		19,245	17,797	18,889
Total operating revenues		647,499	606,211	564,104
Fuel expense		186,265	179,230	146,524
All other operating expenses		343,845	321,623	343,300
Total operating expenses		530,110	500,853	489,824
Operating income		117,389	105,358	74,280
Interest and other income		4,634	1,989	1,393
Total interest expense		(41,940)	(41,008)	(47,619)
Distribution to the City of Philadelphia		(18,000)	(18,000)	(18,000)
Excess of revenues over expenses		62,083	48,339	10,054
Net position, beginning of year		49,617	1,278	277,984
Implementation of GASB 75		—	—	(286,760)
Net position, end of year	$	111,700	49,617	1,278

(a) *Restated as a result of the implementation of GASB 75.*

4. Community College of Philadelphia (CCP)

In FY 2018, CCP implemented GASB 75 requiring the recording in full of the actuarially determined other postemployment benefits (OPEB). GASB 75, which replaced GASB 45, established new actuarial methods and discount rate standards for the measurement and recognition of OPEB. Adopting GASB 75 required restating the Opening Net Position from $51.9 million to negative $102.3 million. GASB 75 eliminated the Net OPEB Obligation and required the full liability to be recognized immediately on the Statement of Net Position. Under GASB 45, the College recorded $78.2 million in OPEB liability in fiscal 2017. Under GASB 75, the College was required to recognize $177.8 million in OPEB liability in fiscal 2018.

(Amounts in Thousands)

CCP		Business Type Activities	Component Unit		Total
Net Position - July 1, 2017 (previously reported)	$	51,951	11,155	$	63,106
Adjustment		(154,262)			(154,262)
Net Position Adjusted - July 1, 2017 (restated)	$	(102,311)	11,155	$	(91,156)

5. Philadelphia Housing Authority (PHA)

In FY 2017, PHA submitted reformatted statements that included an eliminating entry in the amount of ($5,076,632). In FY 2018, PHA submitted reformatted statements that did not include the eliminating entry. Subsequently, the March 31, 2017 net position was adjusted to reflect the correct net position as of March 31, 2018.

(Amounts in Thousands)

PHA		Total
Net Position - March 31, 2017 (previously reported)	$	1,053,583
Adjustment		5,077
Net Position Adjusted - July 1, 2017 (restated)	$	1,058,660

15. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports $1,555.8 million of restricted net position, of which $127.7 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	316,108	
Debt Service	477,570	
Pension Oblig Bond Refunding Reserve	21,796	
Behavioral Health	279,396	
Neighborhood Revitalization	167	
Philadelphia Art Museum Project	11,369	
Affordable Housing Project	44,297	
Cultural & Commercial Corridor Project	1,462	
Grant Programs	118,330	33,278
Rate Stabilization	179,485	
Libraries & Parks:	-	
Expendable	4,667	
Non-Expendable	6,664	
Educational Programs	-	
Other	94,493	94,493
Total	1,555,804	127,771

16. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of $257.2 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 $8.7 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, 2017, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Actives	28,615
Terminated Vested	1,157
Disabled	3,942
Retirees	22,288
Beneficiaries	8,552
DROP	1,767
Total City Members	66,321
Annual Salaries	$ 1,744,728,288

Average Salary per Active Member	$ 60,973
Annual Retirement Allowances	$ 750,204,529
Average Retirement Allowance	$ 21,569

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, 2017 to June 30, 2018

	Municipal (1)	Elected (2)	Police	Fire
Plan 67	7.00%	N/A	6.00%	6.00%
Plan 67 - 50% of Aggregate Normal Cost (3)	6.11%	N/A	N/A	N/A
Plan 87	3.14%	9.46%	5.92%	5.92%
Plan 87 - 50% of Aggregate Normal Cost (4)	3.46%	N/A	N/A	N/A
Plan 87 - Accelerated Vesting (5)	4.60%	12.38%	N/A	N/A
Plan 87 Prime (6)	4.14%	10.46%	6.92%/8.50%(7)	6.92%/8.50%(7)
Plan 87 Prime - Accelerated Vesting	5.60%	13.38%	N/A	N/A
Plan '10	3.10%	N/A	5.50%	5.50%
Plan '10 - Accelerated Vesting	3.28%	N/A	N/A	N/A
Plan '16	4.14%	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 $483,475 under Plan 87 Elected, normal cost or $261,961 under Plan 87 Municipal and current annual payroll of $3,548,609.
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- Police and Fire members hired after 7/1/2017 will pay at the higher rate of 8.50%

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 2018, the City and other employers' contributions of $782.0 million was less than the actuarially determined employer contribution (ADEC) of $871.8 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 2018, the City and other employers' contributions of $782.0 million exceeded the Minimum Municipal Obligation of $661.3 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 2018, the City and other employers' contributions of $782.0 million exceeded the contribution under Revenue Recognition Policy of $662.1.

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, 2017, the date of the most recent actuarial valuation, there was $1,097,499 in the PAF and the Board voted to make PAF distributions of $34,604 during the fiscal year ended June 30, 2018.

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, 2018 is $138.9 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 7.60% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projection (currently 7.60%) over a market cycle. The investment return assumption was reduced by the Board from 7.70% to 7.60%. 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, 2018:

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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.83%. 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. <u>CASH DEPOSITS, INVESTMENTS AND SECURITIES LENDING</u>

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.

Interest Rate Risk
Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes.

Duration is a measure of the approximate sensitivity of a bond’s value to interest rate changes. The higher the duration, the greater the changes in fair value when interest rates change. The Fund measures interest rate risk using option-adjusted duration, which recognizes the fact that yield changes may change the expected cash flows due to embedded options.

The table below details the exposure to interest rate changes based upon maturity dates of the fixed income securities at June 30, 2018:

2018 (in Thousands)	Total Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Asset Backed Securities	$ 19,263	$ 1,168	$ 6,810	$ 2,557	$ 8,728
CMO/REMIC	7,827	3,488	-	152	4,187
Commercial Mortgage Backed Securities	20,057	7,936	382	176	11,563
Corporate Bonds	307,972	104,587	84,580	79,855	38,950
Government Bonds	379,809	100,974	125,121	90,887	62,827
Mortgage Backed Securities	77,759	759	-	9,820	67,180
Municipal Bonds	12,136	-	-	4,521	7,615
Total Credit Risk of Debt Securities	$ 824,823	$ 218,912	$ 216,893	$ 187,968	$ 201,050

Custodial Credit Risk
In the event of counter-party failure, the Fund may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department, are uninsured and are not registered in the name of the Fund. The Fund requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Fund. Certain investments may be held by the managers in the Fund's name.

Concentration of Credit Risk
Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2018, 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 $824.8 million of directly owned fixed income. The Fund's directly owned rated debt investments as of June 30, 2018 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								
2018 (in Thousands)	Total Fair Value	AAA	AA	A	BBB	BB	B	CCC	D	NR
Asset Backed Securities	$ 19,263	$ 6,579	$ 1,475	$ 3,147	$ 2,996	$ -	$ -	$ -	$ -	$ 5,066
CMO/REMIC	7,827	760	5,489	14	333	199	336	-	-	696
Commercial Mortgage Backed Securities	20,057	5,518	10,896	1,002	6	246	6	-	-	2,383
Corporate Bonds	307,972	812	14,116	84,089	84,359	39,069	49,474	22,295	-	13,758
Government Bonds	379,809	11,504	258,672	48,770	16,816	26,657	12,125	2,907	758	1,600
Mortgage Backed Securities	77,759	-	77,759	-	-	-	-	-	-	-
Municipal Bonds	12,136	-	8,722	2,788	626	-	-	-	-	-
Total Credit Risk of Debt Securities	$ 824,823	$ 25,173	$ 377,129	$ 139,810	$ 105,136	$ 66,171	$ 61,941	$ 25,202	$ 758	$ 23,503

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% of the total investment in equities.

The Fund's exposure to foreign currency risk at June 30, 2018 was as follows (expressed in thousands):

Currency	Cash	Fixed Income	Equities	Derivatives	Total
Euro (EUR)	$ 1,683	$ 1,960	$ 320,471	$ 2	$ 324,116
Japanese Yen (JPY)	1,431	50	252,842	(232)	254,091
Pound Sterling (GBP)	595	11,034	189,706	(79)	201,256
Canadian Dollar (CAD)	233	903	111,165	(310)	111,991
Hong Kong Dollar (HKD)	264	-	106,481	-	106,745
Australian Dollar (AUD)	122	8,934	70,395	(92)	79,359
Swiss Franc (CHF)	377	-	70,578	-	70,955
South Korean Won (KRW)	-	-	43,143	-	43,143
Mexican Peso (MXN)	114	25,141	7,860	26	33,141
South African Rand (ZAR)	8	10,484	16,181	387	27,060
Swedish Krona (SEK)	84	-	25,498	(853)	24,729
Brazilian Real (BRL)	4	7,114	15,346	11	22,475
Malaysian Ringgit (MYR)	35	11,301	6,995	-	18,331
Danish Krone (DKK)	52	-	13,742	-	13,794
Indonesian Rupiah (IDR)	13	6,886	6,451	-	13,350
Polish Zloty (PLN)	2	9,954	3,139	49	13,144
Singapore Dollar (SGD)	65	-	11,100	-	11,165
Norwegian Krone (NOK)	31	-	8,000	(238)	7,793
Thai Baht (THB)	5	-	6,822	-	6,827
New Turkish Lira (TRY)	10	2,430	1,990	21	4,451
Chilean Peso (CLP)	30	977	3,329	(6)	4,330
Philippine Peso (PHP)	-	-	3,787	-	3,787
All Others	2,667	10,260	10,071	(468)	22,530
	$ 7,825	$ 107,428	$ 1,305,092	$ (1,782)	$ 1,418,563

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, however, 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, 2018 in addition to the fair value and change in the fair value of derivatives.

List of Derivatives Aggregated by Investment Type

Classification Investment Derivatives	Change in Fair Value		Fair Value at June 30, 2018		Notional
Forwards Currency Contracts	Net appreciation/(depreciation) in Investments	($2,649,840)	Accrued interest and other receivables	($1,795,360)	$220,322,282
Futures	Net appreciation/(depreciation) in Investments	($82,352)	Accrued expenses and other liabilities	(158,317)	158
Grand Totals		($2,732,192)		($1,953,677)	$ 220,322,440

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 2018. 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 counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Fund enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the Fund has the right to access individual pledged securities, it must maintain the

amount pledged by substituting other securities for those accessed. The realized gain from Futures contracts was $373,351.

Forward contracts:
The Fund is exposed to basis risk on its forward contracts because the expected funds purchase being hedged is priced based on a pricing point different than the pricing point at which the forward contract is expected to settle. The realized gain from Forward contracts was $2,919,043.

Termination risk:
The Fund or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the Fund is exposed to termination risk on its receive-fixed interest rate swap. The Fund is exposed to termination risk on its rate cap because the counterparty has the option to terminate the contract if the SIFMA swap index exceeds 12 percent. If at the time of termination, a hedging derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover risk:
The Fund is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Fund will be re-exposed to the risks being hedged by the hedging derivative instrument.

Fair Value Measurement
The Municipal Pension Fund has the following recurring fair value measurement as of June 30, 2018:

(Amounts in Thousands)		Fair Value Measurements Using		
	6/30/2018	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	$ 220,476	$ -	$ 220,476	$ -
Agency Bonds	18,191		18,191	
Asset Backed Securities	19,264		19,264	
Corporate Bonds	307,972		307,971	1
Government Bonds	133,947		133,947	
Mortgage Backed Securities	105,643		105,643	
Municipal Bonds	12,136		12,136	
Sovereign Debt	7,195		7,195	
Mutual Funds	7,144	739	6,405	
Equity	3,150,606	3,148,506	391	1,709
Total Investments by fair value level	$ 3,982,574	$ 3,149,245	$ 831,619	$ 1,710
Investments measured at the net asset value (NAV)				
Credit Distressed Hedge Fund	$ 3,833			
Equity Long/Short Hedge Fund	31,213			
Real Estate	491,004			
Private Equity	487,071			
Fixed Income Funds	121,328			
Total Investments measured at the NAV	1,134,449			
Total Investments measured at fair value	$ 5,117,023			
Investment derivative instruments				
Equity index Futures (Assets)	$ 15	$ 15	$ -	
Equity index Futures (Liabilities)	(227)	(227)		
Currency Futures (Assets)	53	53		
Forward Currency Contracts (Assets)	1,179		1,179	
Forward Currency Contracts (Liabilities)	(2,974)		(2,974)	
Total Investment derivative instruments	$ (1,954)	$ (159)	$ (1,795)	

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. Corporate bonds and 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.

(Amounts in Thousands)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investment Measured at the net asset value (NAV)				
Credit Distressed Hedge Fund	$ 3,833	$ -	Quarterly	90 days
Equity Long/Short Hedge Fund	31,213		Quarterly	90 days' notice
Real Estate	491,004	30,723	N/A	N/A
Private Equity	487,071	291,557	N/A	N/A
Fixed Income Funds	121,328		Quarterly	90-120 days
Total Investments measured at the NAV	$ 1,134,449			

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. Investment 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 has the ability to 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 that fund 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 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.

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, 2018, 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, 2018, the Fund had no credit risk exposure to borrowers.

As of June 30, 2018, the fair value of securities on loan was $401.0 million. Associated collateral totaling $411.3 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, 2018, the invested cash collateral was $411.3 million and is valued at amortized cost.

f. INVESTMENT ADVISORS

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. NET PENSION LIABILITY

The components of the net pension liability as of June 30, 2018 were as follows:

Total Pension Liability	$ 11,510,667,823
Plan Fiduciary Net Position	5,341,285,527
Net Pension Liability	$ 6,169,382,296
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability:	46.4%

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2017 and was rolled forward to June 30, 2018. The June 30, 2017 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:	7.60% compounded annually, net of expenses
Salary Increases:	Age based table

- The investment return assumption was changed from 7.70% from the prior year valuation to 7.60% 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.
- The mortality rates were based on the RP 2000 Healthy Annuitant Mortality Table for males and females with adjustments for mortality improvements using Scale AA with a five year set-back for Municipal males and females and a 2 year set-back for Police and Fire males and females.

The measurement date for the net pension liability (NPL) is June 30, 2018. Measurements are based on the fair value of assets as of June 30, 2018 and the total pension liability (TPL) as of the valuation date, July 1, 2017, updated to June 30, 2018. 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 $149 million. The service cost and interest cost increased the collective NPL by the approximately $1,007 million while contributions plus investment income offset by administrative expenses decreased the collective NPL by approximately $1,295 million.

There was a benefit change to provide a minimum benefit of $1,000 per month for Police and Fire retirees which increased the TPL by approximately $4 million. There were actuarial experience losses during the year of approximately $29 million which includes the loss due to the Pension Adjustment Fund payment of $7 million for the previous year.

In addition, the Board adopted proposed assumption changes following the Experience Study completed March 2018, including:

1. Decrease the expected long-term return on assets from 7.70% to 7.60% and
2. Demographic assumption changes, including updates to the mortality rates, retirement rates, termination rates, disability rates, salary scale for Municipal, service-connected disability rates, and percent married for non-active members.

The combined effect of these assumption changes increased the TPL by approximately $106 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, 2018 are summarized in the following table: (see pension plan's investment policy: http://www.phila.gov/pensions/PDF/ips.pdf)

	Long-Term Expected Real Rate of Return	Benchmark Index
Fixed Income		
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 2.5% for the same time period.

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability: The following presents the net pension liability of the Fund, calculated using the discount rate of 7.60%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 6.60%	Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	$ 12,692,479,606	$ 11,510,667,823	$ 10,504,052,174
Plan Fiduciary Net Position	5,341,285,527	5,341,285,527	5,341,285,527
Collective Net Pension Liability	$ 7,351,194,079	$ 6,169,382,296	$ 5,162,766,647
Plan Fiduciary Net Position as a Percentage of the of the Total Pension Liability	42.1%	46.4%	50.8%

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. SUBSEQUENT EVENTS
Management evaluated subsequent events through December 27, 2018, the date the financial statements were available to be issued. Management noted no items which would require disclosure in the financial statements.

k. 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, 2018.

Change in Collective Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2017	$ 11,192,601,311	$ 4,874,074,826	$ 6,318,526,485
Changes for the year:			
Service cost	164,137,303		164,137,303
Interest	843,171,926		843,171,926
Changes of benefits	4,064,886		4,064,886
Differences between expected and actual experience	28,937,167		28,937,167
Changes of assumptions	106,021,273		106,021,273
Contributions - employer		781,984,326	(781,984,326)
Contributions - member		83,288,635	(83,288,635)
Net investment income		440,326,787	(440,326,787)
Benefit payments	(828,266,043)	(828,266,043)	0
Administrative expense		(10,123,004)	10,123,004
Net Changes	318,066,512	467,210,701	(149,144,189)
Balances at 6/30/2018	$ 11,510,667,823	$ 5,341,285,527	$ 6,169,382,296

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		$ 17,747,229	$ 331,724	$ 1,575,689	$ 809,655,144	$ 829,309,786
Change in proportion		(5,042,579)	203,806	(1,017,591)	5,856,364	0
Contribution difference		6,217,376	52,433	453,677	(6,723,486)	0
Employer pension expense		18,922,026	587,963	1,011,775	808,788,022	829,309,786
Net pension liability	6/30/17	166,146,127	2,592,010	15,138,241	6,134,650,107	6,318,526,485
Net pension liability	6/30/18	132,024,781	2,467,753	11,721,826	6,023,167,936	6,169,382,296
Change in net pension liablility		(34,121,346)	(124,257)	(3,416,415)	(111,482,171)	(149,144,189)
Deferred outflows	6/30/17	43,794,815	842,698	3,319,721	527,544,043	575,501,277
Deferred outflows	6/30/18	27,191,684	511,556	2,071,464	352,592,300	382,367,004
Change in deferred outflows		(16,603,131)	(331,142)	(1,248,257)	(174,951,743)	(193,134,273)
Deferred inflows	6/30/17	(25,061,614)	(190,428)	(3,032,702)	(32,992,732)	(61,277,476)
Deferred inflows	6/30/18	(38,017,115)	(171,458)	(4,180,348)	(22,243,931)	(64,612,852)
Change in deferred inflows		(12,955,501)	18,970	(1,147,646)	10,748,801	(3,335,376)
Employer contributions		23,484,740	400,047	2,032,285	756,067,254	781,984,326
Employer pension expense		18,922,026	587,963	1,011,775	808,788,022	829,309,786

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	6,023,168		6,023,168
PPA	132,025	132,025	
PMA	2,468		2,468
PHDC (1)	11,722	11,722	
Collective Net Pension Liability	6,169,382	143,747	6,025,636
State Pension Fund			
PICA			1,383
City's Primary Government Net Pension Liability (Exhibit I)			6,027,019

(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	2.14%	0.04%	0.19%	97.63%	100%
Experience	$ 2,388,708	$ 44,649	$ 212,082	$ 108,976,444	$ 111,621,883
Assumption changes	2,707,606	50,609	240,395	123,525,017	126,523,627
Investment return	1,703,625	31,843	151,256	77,721,918	79,608,642
Proportion change	10,414,417	282,117	712,824	42,368,921	53,778,279
Contribution difference	9,977,328	102,338	754,907	-	10,834,573
	$ 27,191,684	$ 511,556	$ 2,071,464	$ 352,592,300	$ 382,367,004

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	2.14%	0.04%	0.019%	97.63%	100%
Experience	$ -	$ -	$ -	$ -	$ -
Assumption changes	-	-	-	-	-
Investment return	-	-	-	-	-
Proportion change	(38,017,115)	(171,458)	(4,180,348)	(11,409,358)	(53,778,279)
Contribution difference	-	-	-	(10,834,573)	(10,834,573)
	$ (38,017,115)	$ (171,458)	$ (4,180,348)	$ (22,243,931)	$ (64,612,852)

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
2019	$ 5,188,837	$ 347,796	$ (184,336)	$ 238,861,127	$ 244,213,424
2020	(9,754,812)	1,096	(1,266,735)	123,995,780	112,975,329
2021	(5,975,047)	(3,477)	(632,561)	(19,533,372)	(26,144,457)
2022	(284,409)	(5,316)	(25,251)	(12,975,165)	(13,290,141)
2023	-	-	-	-	-
Thereafter	-	-	-	-	-
Total	$ (10,825,431)	$ 340,099	$ (2,108,883)	$ 330,348,370	$ 317,754,155

(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, 2018), the Plan's membership consisted of:

Active participants	1,213
Retired participants	2,193
Vested terminated participants	323
Total Plan participants	3,729
Total payroll	$ 101,270,528
Average pay	$ 83,488

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, 2018 totaled $1,078,192.

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 28.04 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, 2018.

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 $18,729,456 for the year ended June 30, 2018. Net unrealized gains for the year ended June 30, 2018 totaled $14,744,302.

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 $52,626,957 and $184,334, respectively for the year ended June 30, 2018.

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, 2018, 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, 2018, the Plan had investments of approximately $526 million, comprised of $365 million in equities and $161 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, 2018, the annual money-weighted rate of return on pension plan investments, net of investment expense was 8.89 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, 2018, the Commission employed the following investment managers and vendors:

(Amounts in Millions)

Manager	Mandate	Balance
Equity Managers		
RhumbLine Asset Management	Domestic Large Cap Index	$ 127.1
RhumbLine Asset Management	International Markets	20.0
PineBridge Investments	Domestic Large Cap Index	53.7
Northern Trust Company	Domestic Large Cap Index	24.1
Eagle Asset Management	Domestic Small Cap Growth	27.1
Harding-Loevner	International Growth (fund)	48.6
Mondarian International Equity	International Value (fund)	23.5
Dimensional Fund Advisors	Emerging Markets (fund)	18.6
Vaughan Nelson	Domestic Small Cap Value	22.2
Total		**364.9**
Manager	**Mandate**	**Balance**
Bond Managers		
Weaver Barksdale	Core	$ 35.2
Logan Circle Partners	Core Plus	36.7
Logan Circle Partners	Investment Grade	15.0
Garcia Hamilton	Intermediate	31.1
Lazard Asset Management	Intermediate Plus	29.5
Sky Harbor Capital Management	High Yield	14.0
Total		**161.5**
Total		**$ 526.4**

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 Government Treasuries	$ 44,695,715	$ 7,163,150	$ 18,505,320	$ 17,234,983	$ 1,792,262
U.S Government Agencies	33,392,663	5,715,397	22,491,458	4,142,042	1,043,766
Municipal Bonds	3,390,668	308,100	2,498,249	249,255	335,064
Corporate Bonds	74,073,037	12,576,937	29,873,508	18,617,507	13,005,085
Asset Backed Securities	8,728,885	2,432,663	3,065,121	2,517,959	713,142
	$ 164,280,968	$ 28,196,247	$ 76,433,656	$ 42,761,746	$ 16,889,319

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, 2018 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	$ 14,925,154	$ 32,077,917		$ 230,389	$ 5,979,366	$ 53,212,826
AA+	29,770,561	1,314,746		420,177	290,944	31,796,428
AA				497,140	464,009	961,149
AA-			2,059,667	1,671,798	184,797	3,916,262
A+				5,887,126	332,741	6,219,867
A			335,063	5,245,094	448,827	6,028,984
A-			420,249	14,120,555	159,533	14,700,337
BBB+			308,100	13,178,090	95,193	13,581,383
BBB+				7,629,112	73,169	7,702,281
BBB-			267,589	7,299,533	92,137	7,659,259
BB+				2,699,222	164,497	2,863,719
BB				1,819,375		1,819,375
BB-				2,065,291	33,540	2,098,831
B+				2,207,534		2,207,534
B				2,387,086		2,387,086
B-				3,674,897		3,674,897
CCC+				1,563,300		1,563,300
CCC				1,207,434		1,207,434
CCC-				116,929		116,929
CC				33,425		33,425
NR / NA				119,530	410,132	529,662
	$ 44,695,715	$ 33,392,663	$ 3,390,668	$ 74,073,037	$ 8,728,885	$ 164,280,968

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, 2018 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, 2018 (thousands of U.S. Dollars):

		Level 1	Level 2	Level 3	Total
Corporate bonds	$	—	73,853	220	74,073
Common and preferred stock		353,535	11,411	2	364,948
U.S. government securities		38,897	33,392	—	72,289
Financial agreements		—	—	68	68
Asset backed securities		—	8,729	—	8,729
Bond mutual funds		2,954	—	—	2,954
Municipal obligations		—	3,391	—	3,391
	$	395,386	130,776	290	526,452

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, 2018 of $118,304 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, 2018, were as follows (dollar amounts in thousands):

Total Pension Liability	$	804,507
Plan Fiduciary Net Position		(543,246)
Net Pension Liability	$	261,261
Plan fiduciary net position as a percentage of the total pension liability		67.53%

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2018 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-2017.

Change in Assumptions

The total pension liability reflects an increase of approximately $10 million as a result of changes actuarial assumptions for the Plan year ended June 30, 2018. Approximately $14 million of the increase was a result of demographic changes, and the major driver of this change was a 9.5 percent increase in average pay. The mortality table was changed from RP-2014 mortality table generationally projected with Scale MP-2016 to the RP-2014 mortality table generationally projected with Scale MP-2017 to better reflect actual and future mortality experience. The change from Scale MP-2017 from MP-2016 has decreased the liability by approximately $4 million.

Discount Rate

The discount rate used to measure the total pension liability was 7.30 percent. 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.

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, 2018, the most recent actuarial report, is calculated using the discount rate of 7.30 percent, as well as the Plan's net pension liability if it were calculated using a discount rate that is 1 percent lower (6.30 percent) or 1 percent higher (8.30 percent) than the current rate (amounts in thousands):

	1% Decrease 6.30%	Current Rate 7.30%	1% Increase 8.30%
Total Pension Liability	$ 897,271	$ 804,507	$ 727,158
Plan Fiduciary Net Position	543,246	543,246	543,246
Net Pension Liability	$ 354,025	$ 261,261	$ 183,912

Subsequent Events

The Plan has evaluated subsequent events occurring after the statement of fiduciary net position through the date of December 10, 2018 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, 2018 and 2017 were measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and June 30, 2017, respectively.

The total pension liability was determined using the entry age normal actuarial method and the following actuarial assumptions:

	2018	2017
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 2017 were based on the RP-2014 mortality tables for males and females generationally projected with scale MP-2016. Mortality rates for FY 2018 were based on the RP-2014 mortality tables for males and females generationally projected with scale MP-2017.

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 2018 are summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity	35.0 %	55.0 %	45.0 %	9.0 %
International equity	10.0	30.0	20.0	9.1
Fixed income	25.0	45.0	35.0	5.6
Cash equivalents	—	10.0	—	—
			100.0 %	

Discount rate. The discount rate used to measure the total pension liability at June 30, 2018 and 2017 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, 2016	$ 779,351	483,259	296,092
Changes for the year:			
Service cost	5,823	—	5,823
Interest	55,443	—	55,443
Differences between expected and actual experience	2,182	—	2,182
Contributions – employer	—	27,918	(27,918)
Contributions – employee	—	852	(852)
Net investment income	—	61,002	(61,002)
Benefit payments, including refunds of employee contributions	(51,376)	(51,376)	—
Administrative expenses	—	(129)	129
Change in assumptions	(7,952)	—	(7,952)
Net changes	4,120	38,267	(34,147)
Balances at August 31, 2017	$ 783,471	521,526	261,945

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

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, 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:

Amounts in Thousand of USD		1% Decrease 6.30%	Current Discount Rate 7.30%	1% Increase 7.30%
Net Pension Liability	$	354,026	261,261	183,912

The following table presents the net pension liability of the Company at June 30, 2017, 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:

Amounts in Thousand of USD		1% Decrease 6.30%	Current Discount Rate 7.30%	1% Increase 7.30%
Net Pension Liability	$	352,265	261,945	186,598

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, 2018 and 2017, the Company recognized pension expense of $43.2 million and $54.8 million, respectively. At August 31, 2018 and 2017, 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, 2018		August 31, 2017	
		Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$	12,697	2,023	8,564	4,296
Changes of assumptions		6,119	6,726	23,961	5,908
Net difference between projected and actual earnings on pension plan investments		—	4,517	—	2,071
Contributions made after measurement date		6,127	—	6,875	—
Total	$	24,943	13,266	39,400	12,275

The $6.1 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2018 will be recognized as a reduction of the net pension liability in the Company's FY 2019. 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:	
2019	$ 9,016
2020	2,032
2021	(4,085)
2022	(1,412)

h. <u>Fair Value Measurements</u>

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – d. Disclosures About Fair Value of Financial Instruments

(2) School District of Philadelphia

a. <u>Plan Description</u>

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. <u>Benefits provided:</u>

The System provides retirement and disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes- (1) Membership Class T-E (Class T-E) and (2) Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Code (Code) of multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and T-F members) or who has at least five years of credited services (ten years for Class T-E and T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

c. Contributions

Members Contributions:
Active members who joined prior to July 22, 1983, contribute at 5.25 % (Membership Class T-C) or at 6.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute at 6.25 % (Membership Class T-C) or 7.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50 % (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer's Contributions:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% 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 $325.7 million for the year ended June 30, 2018.

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 2018 was 73.14 percent.

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

(a) At June 30, 2018, the District reported a liability of $3,572.0 million for its proportionate share of the net pension liability of which $3,518.7 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, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Public School Employees' Retirement System (System) total pension liability as of June 30, 2016 to June 30, 2017. 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, 2017, the District's proportion was 7.2324 percent, which was an increase of .03182 percent from its proportion measured as of June 30, 2016.

(b) For the year ended June 30, 2018, the District recognized net pension expense of $64,076.4 thousand of which $63,121.2 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of $955.2 thousand was under the Business-type Activity section of the Government-wide Statements.

(c) At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 37,264	$ (21,584)
Change in assumption	97,035	
Net difference between projected and actual investment earnings	82,769	-
Change in proportions	115,618	(207,016)
Difference between employer contributions and proportionate share of total contributions	-	(4,613)
Contributions subsequent to the measurement date	325,694	-
	$ 658,380	$ (233,213)

Deferred outflows of resources for contributions made subsequent to the measurement date was $325,694.1 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 inflows of $99,473.2 thousand reported related to pensions in pension expense as follows:

Of the $99,473.2 thousand reported as deferred outflows, $97,990.4 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 $1,439.3 thousand and $43.5 thousand, respectively.

Actuarial assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return - 7.50% includes inflation at 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.

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
Public markets global equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real Estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	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, 2017.

Discount rate: The discount rate used to measure the total pension liability was decreased from 7.50% to 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:

(Dollars in Thousands)

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	4,396,781	3,571,967	2,875,591

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 50% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

Plan description: The City of Philadelphia self-administers a single employer, defined benefit plan 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 $96.4 million for fiscal year ending June 30, 2018.

Employees covered by benefit terms: At July 1, 2016, the following employees were covered by the benefit terms:

Medical Coverage:	
Inactive employees or beneficiaries currently receiving medical coverage	3,929
DROPS with medical coverage	1,614
Inactive employees entitled to, but not yet receiving medical coverage	639
Active employees	28,308
Total	34,490
Life Insurance Coverage	
Inactive employees or beneficiaries currently receiving life insurance coverage	27,736
Active employees	28,308
Total	56,044

Total OPEB Liability:
The City's total OPEB liability of $1,861,600,000 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs.
The total OPEB liability in the June 30, 2017 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, 2016 and June 30, 2017; Reporting dates June 30, 2017 and June 30, 2018.

Discount rate: The discount rate as of June 30, 2017 is 3.58%, which is the 20-year bond buyer index rate as of June 29, 2017. The discount rate that was used for June 30, 2016 liability calculation is 2.85%, which is the 20-year bond buyer index rate as of June 30, 2016.

Salary Increase Rate:

Age	All Divisions
<20	20.00%
20 - 24	11.00%
25 - 29	7.00%
30 - 34	5.00%
35 - 39	4.25%
40 - 44	4.00%
45 - 49	3.50%
50 - 54	3.30%
55 - 60	3.00%
61 +	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
2017	8.00%	6.00%	10.00%	8.00%	8.40%	7.40%
2018	7.67%	5.80%	9.53%	7.67%	8.04%	7.11%
2019	7.33%	5.60%	9.07%	7.33%	7.68%	6.81%
2020	7.00%	5.40%	8.60%	7.00%	7.32%	6.52%
2021	6.67%	5.20%	8.13%	6.67%	6.96%	6.23%
2022	6.33%	5.00%	7.67%	6.33%	6.60%	5.93%
2023	6.00%	4.80%	7.20%	6.00%	6.24%	5.64%
2024	5.67%	4.60%	6.73%	5.67%	5.88%	5.35%
2025	5.33%	4.40%	6.27%	5.33%	5.52%	5.05%
2026	5.00%	4.20%	5.80%	5.00%	5.16%	4.76%
2027	4.67%	4.00%	5.33%	4.67%	4.80%	4.47%
2028	4.33%	3.80%	4.87%	4.33%	4.44%	4.17%
2029	4.00%	3.60%	4.40%	4.00%	4.08%	3.88%
2030	3.67%	3.40%	3.93%	3.67%	3.72%	3.59%
2031	3.33%	3.20%	3.47%	3.33%	3.36%	3.29%
2032 +	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

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 that deaths of active municipal and elected members would follow the RP-2000 Mortality Table with Blue Collar adjustment, projected 17 years using Scale AA with a five-year setback for males and females.

It is assumed that deaths of active uniformed members would follow the RP-2000 Mortality Table with Blue Collar adjustment, projected 17 years using Scale AA with a two-year setback for males and females.

It is assumed that mortality for healthy inactive lives will follow RP-2000 with Blue Collar adjustment, projected 17 years using Scale AA with a one-year set forward for males and females.

For Police and Fire, it is assumed that mortality for disabled retirees follows RP-2000 Healthy Mortality with Blue Collar adjustment, projected 17 years using Scale AA with a 1% upwards adjustment and a five-year setback for males and females.

For Municipal and Elected officials, it is assumed that mortality for disabled retirees follows RP-2000 Healthy Mortality with Blue Collar adjustment, projected 17 years using Scale AA with a 1% upward adjustment and a one-year setback for males and females.

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, 2017.

Change in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at 6/30/2016	**$ 1,936,600,000**	**$ -**	**$ 1,936,600,000**
Changes for the year:			
Service cost	89,300,000		89,300,000
Interest	56,100,000		56,100,000
Changes of benefits			-
Differences between expected/actual			-
Changes of assumptions	(105,600,000)		(105,600,000)
Contributions - employer		114,800,000	(114,800,000)
Contributions - non employer			-
Contributions - member			-
Net investment income			-
Benefit payments	(114,800,000)	(114,800,000)	-
Administrative expense			-
Net changes	(75,000,000)	-	(75,000,000)
Balances at 6/30/2017	**$ 1,861,600,000**	**$ -**	**$ 1,861,600,000**

During the measurement year, the NOL decreased by approximately $75.0 million. The service cost and interest cost increased the NOL by approximately $145.4 million while contributions plus investment gains offset by administrative expenses decreased the NOL by approximately $114.8 million. The employer contribution of $114.8 million is based on a blend of actual contributions and estimated contributions based on the prior report.

There were no changes in benefits during the year. Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, there were no liability gains or losses during the year due to experience.

There was an assumption change due to the change in the 20-year bond buyer index rate. The discount rate changed from 2.85% to 3.58% as of June 30, 2017, reducing the liability by $105.6 million.

Sensitivity of the total OPEB liability to changes in the discount rate:
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 a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) 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 the Discount Rate

	1/% Decrease 2.58%	Discount Rate 3.58%	1/% Increase 4.58%
Total OPEB Liability	$ 2,007,100,000	$ 1,861,600,000	$ 1,730,100,000
Plan Fiduciary Net Position			
Net OPEB Liability	$ 2,007,100,000	$ 1,861,600,000	$ 1,730,100,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB liability	0.0%	0.0%	0.0%

A one percent decrease in the 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	$ 1,692,700,000	$ 1,861,600,000	$ 2,058,600,000
Plan Fiduciary Net Position			
Net OPEB Liability	$ 1,692,700,000	$ 1,861,600,000	$ 2,058,600,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB liability	0.0%	0.0%	0.0%

A one percent decrease in the 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, 2018, the City recognized OPEB expense of $130,300,000. The table below shows the development of OPEB expense.

Calculation of OPEB Expense

Fiscal Year Ending		**June 30, 2018**
Measurement Year Ending		**June 30, 2017**
Change in Net OPEB Liability	$	(75,000,000)
Change in Deferred Outflows		-
Change in Deferred Inflows		90,500,000
Non Employer Contributions		-
Employer Contributions		114,800,000
OPEB Expense	**$**	**130,300,000**
OPEB Expense as % of Payroll		**7.47%**
Operating Expenses		
Service cost	$	89,300,000
Employee contributions		-
Administrative expenses		-
Total	$	89,300,000
Financing Expenses		
Interest cost	$	56,100,000
Expected return on assets		-
Total	$	56,100,000
Changes		
Benefit changes	$	-
Recognition of assumption changes		(15,100,000)
Recognition of liability gains and losses 0		-
Recognition of investment gains and losses -		-
Total	$	(15,100,000)
OPEB Expense	**$**	**130,300,000**

At June 30, 2018, 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, 2018 Projected Fiscal Year End
June 30, 2017 Measurement Date

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions		90,500,000
Net differences between projected and actual earnings on OPEB plan investments		
Contributions subsequent to measurement date	96,400,000	
Total	**$ 96,400,000**	**$ 90,500,000**

Amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Year Ended in June 30:		
2019		(15,100,000)
2020		(15,100,000)
2021		(15,100,000)
2022		(15,100,000)
2023		(15,100,000)
Thereafter	$	(15,100,000)

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, 2019.

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	**6/30/2017**
Total OPEB Liability	
Service cost (BOY)	$ 89,300,000
Interest (includes interest on service cost)	56,100,000
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(105,600,000)
Benefit payments, including refunds of member contributions	(114,800,000)
Net change in total OPEB liability	**$ (75,000,000)**
Total OPEB liability - beginning	1,936,600,000
Total OPEB liability - ending	$ 1,861,600,000
Plan fiduciary net position	
Contributions - employer	$ 114,800,000
Contributions - non-employer	-
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(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	**$ 1,861,600,000**
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	$1,864,800,000
Net OPEB liability as a percentage of covered-employee payroll	99.83%

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, 2016, 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	12,892
Retirees	10,397
Total	23,289

Total OPEB Life Insurance liability:

At June 30, 2018, the District reported a liability of $16.4 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, 2018 reporting date (which is the plan’s and/or employer’s fiscal year ending date), the “Valuation Date is June 30, 2016.” This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2017. This is the date as of which the total OPEB Life Insurance liability was determined.

Our actuary determined the total OPEB Life Insurance liability by rolling forward the Net OPEB Obligations of $2,093,003 reported under GASBS 45 as of June 30, 2017. The following schedule includes information to comply with GASBS 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for the fiscal year ending June 30, 2016, along with prior period adjustment to transition to GASBS 75 and Total OPEB Life Insurance Benefit liability for fiscal year ending June 30, 2018:

Net OPEB Obligation as of June 30, 2016	$ 1,654,915
Annual Required Contribution (ARC)	998,270
Interest on Net OPEB Obligation	49,647
Adjustment to the ARC	(88,848)
Employer Contributions 2016-2017	(520,980)
Net OPEB Obligation as of June 30, 2017	$ 2,093,004
Prior Period Restatement	15,789,630
Total OPEB Life Insurance Benefit Liability as of July 1, 2017*	$ 17,882,634
Service cost	101,347
Interest on total OPEB Life Insurance Benefits liability	505,171
Effect of assumption changes or inputs	(1,590,940)
Employer Contributions 2016-2017	(520,980)
Total OPEB Life Insurance Benefit Liability as of June 30, 2018	$ 16,377,232

Actuarial Methods and Assumptions:

Discount Rate: 2.85 % per annum as of June 30, 2016, 3.58 % per annum as of June 30, 2017, and 3.87 % per annum as of June 30, 2018 (Bond Buyer General Obligation 20-Bond Municipal Bond Index, 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, 2016 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:
In accordance with GASBS No.75, 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 with GASBS 45 to the actuarial valuation as of June 30, 2018 in accordance with GASBS No.75.

The discount rate was change from 3% to a municipal bond index (2.85% as of June 30, 2016, 3.58% as of June 30, 2017, and 3.87% as of June 30, 2018).

The mortality, retirement, and disability assumptions were revised.

In accordance with GASBS No. 75, 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
6/30/2017	$ 16,377,232	$ 714,588,514	2.29184%

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
Net OPEB Life Insurance Benefit Liability as of July 1, 2017*	$ 17,882,634
Changes for the year (2017-2018):	
Service Cost	101,347
Interest on total OPEB Life Insurance liability	505,171
Effect of Assumption changes or inputs	(1,590,940)
Benefit Payments	(520,980)
Net OPEB Life Insurance Benefit Liability as of June 30, 2018	$ 16,377,232

**Equal to the total OPEB liability as of July 1, 2016-beginning of the measurement period for the fiscal year ending June 30, 2018.*

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 3.58%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current rate:

2016-2017 Measurement Period
(Dollars in Thousands)

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
District's total OPEB Life Insurance liability	18,627	16,377	14,570

At June 30, 2018, 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
Contributions subsequent to the measurement date	$ 511	$
Effect of assumptions changes or inputs		(1,221)
	$ 511	$ (1,221)

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, 2018, the District recognized net OPEB expense of $.02 thousand of which all under the Governmental Activity section of the Government-wide Statements.

- All of the $1,220.9 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:

(Dollars in Thousands)

Year ended June 30:	Deferred Inflows of Resources
2018	$ (370)
2019	(370)
2020	(370)
2021	(111)
2022	-
Thereafter	-
Total	$ (1,221)

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, 2018, the District reported a liability of $147.4 million for its proportionate share of the net OPEB liability of which $145.1 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, 2017, 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, 2016 to June 30, 2017. 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 7.2324 percent, which was an increase of 0.3182 percent from its proportion measured as of June 30, 2017.

- For the year ended June 30, 2018, the District recognized net OPEB expense of $1,363.3 thousand of which $1,342.1 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of $21.2 thousand was under the Business-type Activity section of the Government-wide Statements.

- At June 30, 2018, 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	$ -	$ -
Change in assumption	-	(6,857)
Net difference between projected and actual investment earnings	156	-
Change in proportions	5,875	
Difference between employer contributions and proportionate share of total contributions	6	
Contributions subsequent to the measurement date	8,609	-
	$ 14,646	$ (6,857)

Deferred outflows of resources for contributions made subsequent to the measurement date was $8.6 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 net deferred inflows of $.8 million reported related to OPEB from the following OPEB expense:

(Dollars in Thousands)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2018	$ 1,019	$ (1,143)	$ (124)
2019	1,019	(1,143)	(124)
2020	1,019	(1,143)	(124)
2021	1,019	(1,143)	(124)
2022	980	(1,143)	(163)
Thereafter	981	(1,142)	(161)
Total	$ 6,037	$ (6,857)	$ (820)

Of the $819,709 reported as net deferred inflows, $806,968 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 $12,455 and $286 respectively.

Actuarial assumptions: The total OPEB liability as of June 30, 2017 was determined by rolling forward the System's total OPEB liability as of June 30, 2016 actuarial valuation to June 30, 2017 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 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.50%, 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 75%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- 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 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: 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 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	76.4%	0.6%
Fixed income	23.6%	1.5%
	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, 2017.

Discount rate: The discount rate used to measure the total OPEB liability was 3.13%. 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 3.13%, which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, 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, 2017, 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 2016, 91,797 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2016, 1,354 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, 2017 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	147,315	147,354	147,385

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 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage point higher (4.13%) than the current rate:

(Dollars in Thousands)

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	167,502	147,354	130,616

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 2018 and FY 2017, 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, 2017, the date of the latest actuarial valuation, the OPEB Plan's combined membership consisted of the following:

	Number
Retirees	1,504
Beneficiaries	428
Active employees - Union	1,141
Active employees - Management	512
Total number of participants	3,585

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, 2017, PGW contributed $29.7 million on a pay-as-you-go basis, $16.0 million resulting from rate surcharges, and $2.5 million of its resources. Employee contributions were $0.5 million in calendar year 2016. For the OPEB Plan year ended December 31, 2016, PGW contributed $30.4 million on a pay-as-you-go basis, $16.0 million resulting from rate surcharges, and $2.5 million of its resources. Employee contributions were $0.4 million in calendar year 2016.

Net OPEB Liability
The Company's net OPEB liability as of August 31, 2017 and 2016 was measured as of December 31, 2017 and 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 1, 2017 and September 1, 2015, respectively. The September 1, 2015 actuarial valuation was rolled forward to the December 31, 2016 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.

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):

Age	Medical: Existing Retirees and Dependents	Medical: Future Retirees and Dependents	Prescription Drug
< 50	$ 6,455	$ 6,305	$ 3,129
50-54	7,846	766	3,458
55-59	9,816	9,588	4,326
60-64	11,824	11,549	5,210
65-69	2,302	2,215	3,495
70-74	2,629	2,530	3,992
75-79	2,931	2,820	4,449
80-84	3,172	3,052	4,815
85-90	3,300	3,176	5,011
90+	3,350	3,224	5,086

Expenses: The self-funded medical monthly fee per contract for the 2017-18 plan year is $53.94 for medical, claim fiduciary and disease management administration. For pre-Medicare prescription drug coverage, there is a $0.90 dispensing fee, and the Employer Group Waiver Plan (EGWP) administration fee is $9.50 per member per month. The valuation claims cost includes stop-loss coverage and network access fees.

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-2017.

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:

	Years of Service					
Age	**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 and best estimates of arithmetic real rates of return for each major asset class for FY 2018 are summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity large cap	27.5 %	37.5 %	32.5 %	7.7%
Domestic equity small cap	10.0	15.0	12.5	8.0%
Emerging market equity	5.0	10.0	7.5	10.0%
International equity	15.0	20.0	17.5	7.6%
Fixed income	20.0	40.0	30.0	3.3%
Commodities/Real Assets	—	10.0	—	—
Cash equivalents	—	5.0	—	—
			100.0 %	

Healthcare cost trend: The prescription drug trend rate assumption was revised from 8.5% to 4.5% in 1.0% increments to 9.0% to 4.5% in 0.5% increments to reflect current forecasts of prescription drug trend rates. The valuation also reflects the impact of the high-premium excise tax (Cadillac tax) that has a delayed effective date of January 1, 2020 under the Affordable Care Act.

Fiscal Year Beginning (September 1)	Healthcare cost trend rates				
	Medical (pre-65)	Medical (post-65)	Prescription	Dental	Administrative Expenses
2017	6.5 %	4.5 %	9.0 %	4.0 %	4.5 %
2018	6.0	4.5	8.5	4.0	4.5
2019	5.5	4.5	8.0	4.0	4.5
2020	5.0	4.5	7.5	4.0	4.5
2021	4.5	4.5	7.0	4.0	4.5
2022	4.5	4.5	6.5	4.0	4.5
2023	4.5	4.5	6.0	4.0	4.5
2024	4.5	4.5	5.5	4.0	4.5
2025	4.5	4.5	5.0	4.0	4.5
2026	4.5	4.5	4.5	4.0	4.5

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, 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, 2016	$ 512,526	110,443	402,083
Changes for the year:			
Service cost	5,315	—	5,315
Interest	39,961	—	39,961
Differences between expected and actual experience	(30,973)	—	(30,973)
Assumption changes	(6,481)	—	(6,481)
Benefit payments	(30,370)	—	(30,370)
Contributions-employer	—	48,870	(48,870)
Project investment return on year	—	9,513	(9,513)
Plan asset gain/(loss)	—	1,196	(1,196)
Benefit payments	—	(30,370)	30,370
Administrative expenses and bank fees	—	(30)	30
Net changes	(22,548)	29,179	(51,727)
Balances at August 31, 2017	$ 489,978	139,622	350,356

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB liability of the Company at December 31, 2017, as well as what the Total OPEB liability would be as of August 31, 2018 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	**Current Discount Rate**	**1% Increase**
			(Thousands of U.S. dollars)	
Total OPEB Liability	$	631,123	559,631	500,694

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB liability of the Company at December 31, 2017, as well as what the Total OPEB liability would be as of August 31, 2017 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	**Current Healthcare Cost Trend Rates**	**1% Increase**
			(Thousands of U.S. dollars)	
Total OPEB Liability	$	494,362 3	559,631	647,259

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

For the years ended August 31, 2018 and 2017, the Company recognized OPEB expense of $32.9 million and $28.1 million, respectively. At August 31, 2018 and 2017, 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, 2018		August 31, 2017	
		Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$	—	22,860	—	24,778
Changes of assumptions		49,106	3,889	—	5,185
Net difference between projected and actual earnings on OPEB plan investments		—	9,385	—	957
Contributions made after measurement date		31,942	—	33,076	—
Total	$	81,048	36,134	33,076	30,920

The $31.9 million and $33.1 reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2017 and 2016, respectively, will be recognized as a reduction of the net OPEB liability in FY 2018. 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:		
2019	$	1,310
2020		1,310
2021		1,310
2022		9,042

Fair Value Measurements

All investments of the OPEB Plan at both December 31, 2018 and 2017 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 2018 this transfer amounted to $454.2 million.

5. RELATED PARTY TRANSACTIONS

The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of $81.95 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments which totaled $120.46 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. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was $353.0 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, 2016 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims & Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2016	353.6	216.2	(219.5)	350.3
Fiscal 2017	350.3	243.9	(229.1)	365.1
Fiscal 2018	365.1	199.3	(211.4)	353.0

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 $3.1 million for Unemployment Compensation claims and $62.98 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $263.8 million discounted at 3.5%. On an undiscounted basis, these liabilities total $343.9 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 $240.0 million (discounted) and $314.8 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 has a $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 $121.1 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, 2018, the amount of these liabilities totaled $121.1 million.

Additionally, **PGW** and **PPA** are self-insured for various risks.

At June 30, 2018, the amount of these liabilities totaled $140.6 million, which includes, $121.1 million for **SDP**, $14.1 million for **PGW**, and $5.4 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
2018	$ 141.1	$ 220.8	$ (221.3)	$ 140.6
2017	$ 148.8	$ 215.2	$ (223.0)	$ 141.1

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	185,968
Grants Revenue Fund	255,399
Community Behavioral Health Fund	81,636
Water Enterprise Fund	171,799
Aviation Enterprise Fund	693,370
Non-Major Governmental Funds	302,417
Total	1,690,589

B. COMPONENT UNITS

SDP

Capital Projects Fund Construction and Equipment Purchase Commitments:
The School District's outstanding contractual commitments at June 30, 2018 are summarized as follows:

New Construction and Land	$	1,883,240
Environmental Management		705,255
Alterations and Improvements		73,115,701
Major Renovations		26,654,257
Total	$	102,358,453

Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2018 are as follows:

	General Fund	Intermediate Unit Fund
Services and Supplies	$ 32,765,287	$ 759,715

Categorical Fund Commitments

Categorical Funds encumbrances totaled $8.2 million at June 30, 2018.

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 $329.40 million. Of this amount, $36.51 million is charged to the current operations of the Enterprise Funds. The remaining $292.88 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City for which an additional loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimate of the amount of loss from these lawsuits in which some amount of loss is reasonably possible is approximately $93.0 million from the General Fund, $8.3 million from the Water Fund and $5.5 million from the Aviation Fund. This represents the best estimate of the entire current inventory of such litigation and pre-suits as of February 8, 2019.

Significant cases included in the current litigation against the City are as follows:

Khanefah Boozer v. Waltman, et.al.

- In January of 2011, Khanefah Boozer and several of his male friends were subjected to a car stop by police. During the stop, as Boozer was standing on the street outside of the car, one of the males who was inside of the car fired several shots into the air. Officer Ryan Waltman was standing nearby and believed that at least one of the shots was aimed at him. Officer Waltman identified Boozer as the male who fired the shots and arrested him. Boozer was charged with attempted murder and aggravated assault and spent nearly 3.5 years in prison awaiting trial. Boozer denied that he fired the shots and told police that the shots were fired by one of his friends who was inside of the car. He gave police the address of the owner of the car, but police never located that person prior to Boozer's criminal trial. At Boozer's criminal trial, a jury acquitted him on all counts. Of note, one of the males who occupied the car testified at the trial that he was the one who fired the shots into the air. During Boozer's civil trial, this same male appeared and reiterated his previous testimony that he was the person who fired the shots. The civil court jury awarded Boozer $5 million in compensatory damages and $5 million in punitive damages. The City has appealed this verdict. The Law Department is confident that the grounds for appeal are meritorious and that several errors made by the trial court will compel the appellate court to either overturn the verdict in favor of the City defendants, or, in the alternative, to vacate the verdict and order a new trial. In any event, pursuant to state law, the City will not be required to pay the $5 million in punitive damages. Although the City should not have to pay more than the disclosure threshold, the Law Department discloses this case out of caution because the total verdict exceeds $8 million.

Brennan v. City of Philadelphia

- This is an FLSA overtime class action filed in the Eastern District of Pennsylvania which is an offshoot of a case settled by the City last year for about $1.45 million. That case was Lawrence v. City of Philadelphia, and it concerned the manner in which the City pays overtime wages to firefighters. Plaintiffs challenged not the amount of overtime wages but whether the City unreasonably delays payment of those wages. In the aftermath of Lawrence, the City reformed the manner in which it compensates firefighters in 2009. The Brennan matter was stayed while the parties litigated and settled Lawrence. After Lawrence was settled, we began litigating in earnest. Brennan concerns firefighters who are paid under the new system. We believe that the City has good defenses in Brennan, but discovery has just begun and the number of class members has risen past 400. The parties have submitted motions for partial summary judgment related to the timing of certain overtime payments. We are scheduled for oral arguments on the motions on March 4, 2019. If the City is successful on this issue, its liability will be diminished. We disclose this matter in an abundance of caution because the FLSA contains a liquidated damages provision that doubles the amount of unpaid wages. Once liquidated damages and attorneys' fees are added, it is possible that this matter could exceed $8 million if we were unsuccessful. The City is represented by outside counsel.

2018 Tax Reassessment Cases

- On September 14, 2017, the first plaintiffs, the individual owners of 76 commercial properties, filed suit in the Court of Common Pleas of Philadelphia County alleging that the 2018 property tax reassessment performed by the City's Office of Property Assessment (the "OPA") violated the Uniformity Clause of the Pennsylvania Constitution as well as the statutes controlling assessments in Pennsylvania and first-class counties, and sought the reduction of their 2018 tax bills to levels based on 2017 values. Plaintiffs allege that, 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 that, pursuant to a July 2017 Pennsylvania Supreme Court decision in 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.

Subsequently, ten additional cases were filed asserting virtually the same claims. All of the cases, which in total currently encompass approximately 500 plaintiffs, have been 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 then filed Answers with New Matter to each complaint. The discovery deadline has now passed; currently, the cases are scheduled for trial in April or May 2019.

The City believes that the lawsuits both misstate the relevant facts about the OPA's assessment process and misapply the relevant law, and the City intends to vigorously defend its interests. Moreover, even if the assessment process for the 2018 tax year should be found to violate Uniformity under the very recent Valley Forge ruling, the City believes that Valley Forge represents a significant change in the law and that it operated in good faith consistent with the prior caselaw, and thus there is a strong possibility that any relief ordered may be prospective, rather than retrospective, in nature. However, 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.

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 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 to be scheduled within 120 days of November 27, 2018, or as the parties may agree. It has not yet been set. Based upon pending discovery, it is unlikely that the Board of View will hold its hearing on this matter before the summer of 2019. 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 – Labor Contract Grievance Re: Conditions of Police Facilities

- 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. The parties have been doing so continuously since the award was issued. In July of 2018, the FOP requested hearings before the arbitrator regarding the conditions of the police facilities, but no dates have been set as of yet. Furthermore, 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.

Narcotics Field Unit – District Attorney's Letter Re: Not Prosecuting Cases

- The highly publicized letter from the District Attorney's Office calls into question approximately 350-500 arrests by a group of six narcotics officers. So far, approximately 300 cases have been filed in Federal Court in the Eastern District of Pennsylvania. The complaints allege that narcotics officers(s) falsified information obtained through confidential informants and planted evidence. The six narcotics officers implicated have been acquitted of federal criminal charges in relation to these complaints. However, City attorneys anticipate between 350 and 500 civil lawsuits to be filed. Currently, approximately 50 of the around 300 cases already filed remain open and are presently stayed in Federal Court. To date, the City has settled approximately 250 of the cases for an aggregate total of $6,432,250. The parties have selected 10 cases to litigate (the "Bellwether cases"). The City will aggressively defend the Bellwether cases to see if any of those 10 cases have value. If Federal Court juries award significant damages in any of the 10 Bellwether cases, then potentially the entire matter could be worth in excess of $8 million.

Marshall Hale v. City of Philadelphia

- In a presuit letter, Mr. Hale alleged that he was wrongfully convicted and imprisoned for 33 years because forensic evidence was improperly withheld from his criminal defense attorney. Mr. Hale alleges that a jury, in 1984, wrongfully convicted him for a gun-point rape despite contradictory/inconclusive forensic evidence. Further, Mr. Hale alleges that the forensic evidence, which should have acquitted him of the crime, was improperly withheld by the prosecution. Despite the forensic evidence, the victim, continuously, identified Mr. Hale as the man who raped her. In 2017, the District Attorney's Office agreed to vacate Mr. Hale's conviction. Mr. Hale is represented by an experienced civil rights attorney. If a lawsuit is filed, a trial concluding with an unfavorable verdict against the City, along with attorneys' fees, could potentially exceed an $8 million loss.

Thomas v. City of Philadelphia

- Plaintiff was incarcerated for 24 years until the District Attorney's Office agreed to vacate his murder conviction. He now alleges that two police detectives fabricated evidence against him by coercing witness statements, failed to disclose Brady material (exculpatory evidence), and failed to investigate his alibi. The case is still in its early stages – it is currently in discovery, and the City intends to file a motion for summary judgment at the close of discovery. The damages in this case are difficult to calculate but could exceed $8 million, considering the length of time spent in incarceration, and the likelihood of an unfavorable outcome is reasonably possible.

James Dennis v. City of Philadelphia

- Mr. Dennis has filed suit in federal court alleging that he was wrongfully incarcerated for 24 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. A motion to dismiss the case is pending. Mr. Dennis is represented by an experienced civil rights attorney, and if the case goes to trial, the City could potentially face an $8 million verdict.

Donte Rollins v. City of Philadelphia

- Mr. Rollins has filed suit in state court alleging that he was maliciously prosecuted by Philadelphia police officers. After being arrested in 2006 for shooting and paralyzing a five-year old child, Mr. Rollins was convicted and spent a decade in prison until the District Attorney's Office agreed to release him in 2016. Preliminary objections that would dismiss his suit are pending. If the case goes to trial, the defendant officers could potentially face an $8 million verdict.

Dontia Patterson v. City of Philadelphia

- Mr. Patterson is in presuit 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 in a prosecution brought by one of District Attorney Larry Krasner's prominent critics. Upon taking office, Mr. Krasner agreed to vacate the conviction, and Mr. Patterson's lawyers are claiming that evidence was wrongfully withheld from them. Mr. Patterson is being represented by counsel and the case could result in a $8 million verdict at trial.

Lower Darby Creek Area Superfund Site

- In 2001, the U.S. Environmental Protection Agency ("EPA") added the Lower Darby Creek Area ("Site") to the National Priority List, EPA's list of the most serious uncontrolled hazardous waste sites. The Site includes two former municipal landfills: the Clearview Landfill (also referred to as Operable Unit number 1 [OU-1]) and the Folcroft Landfill (OU-2). In 2002, EPA sent the City a letter alleging the City is a Potentially Responsible Party ("PRP") at the Clearview Landfill ("Clearview") site. Designation as a PRP means the City may be jointly and severally liable with other PRPs for the site's clean-up costs. EPA has concluded that the City owns the Recreational Property and streets adjacent to Clearview and alleges that there has been a release or threat of release of hazardous substances at or from the City's property. Additionally, EPA alleges that the City "arranged" for the disposal of hazardous substances at Clearview. The City received and responded to two separate requests from EPA for additional information. EPA completed the Remedial Investigation for Clearview in May 2011 and a Feasibility Study of remedial options in October 2012. In August 2013, EPA issued a proposed plan identifying its preferred remedy and proposed cleanup plan. The final plan and Record of Decision ("ROD") were issued September 30, 2014. EPA chose its preferred option of a capping remedy that was estimated to cost approximately $24 million and preliminarily identified approximately $11 million in past costs. On January 16, 2015, EPA sent a letter to the City and 22 other PRPs indicating EPA would not use its Special Notice authority to force the PRPs to do the cleanup. Instead, EPA decided that it would implement the remedial action plan and design the remedy. EPA also indicated it would begin a groundwater study likely to result in a recommendation for additional cleanup related to groundwater. The groundwater study and clean-up are designated OU-3.

Because of the broad liability scheme under the federal Superfund law (strict, joint, and several), Superfund litigation generally focuses not on avoiding a finding of liability, but rather on ensuring that the remediation is cost-effective and the allocation of costs among all parties identified as bearing some degree of liability is fair and reasonable. The total costs of the removal and remedial actions for which EPA may assert cost recovery claims until June 2017 were estimated to be in the range of $40 million to $60 million, and the City's estimated cost as $8 million to $12 million. Unfortunately, in June 2017, EPA informed the City that EPA's expected costs had significantly increased.

On June 1, 2017, EPA sent a letter to the City asking the City to enter into "pre-filing settlement negotiations." EPA made two initial offers to the City to settle the City's liability. The first offer was $14,178,017.59 for past and future costs of remediating the Clearview Landfill and EPA's associated costs, including its enforcement activities. This settlement would be subject to reopeners for unknown conditions (previously unidentified contamination despite years of testing and investigation), new information (such as previously unknown City sources of other waste), or response cost overruns. The second offer was for $19,627,491.58 for the same past and future costs, however, it includes a premium to account for uncertainty in future costs (i.e. it covers general cost overruns) and would only have reopeners for unknown conditions or new information. The City considers these two remaining reopeners very unlikely to occur. Therefore, it is the second offer upon which the City focused its settlement efforts.

The City agreed to voluntary negotiations with EPA/DOJ in June 2017. At the beginning of negotiations, EPA/DOJ indicated the total cost of the expected cleanup of the landfill had risen to $76.2 million. This does not include the cost of groundwater investigation and potential remediation, OU-3, or the long-term cost of operation and maintenance ("O&M") of the site after cleanup is complete. The first negotiating session occurred in September 2017 and negotiations are ongoing.

In a newer development, the State of Pennsylvania Department of Environmental Protection ("DEP") demanded the City and PRA take over responsibility for O&M for the site after it has been fully remediated. EPA has estimated the current value of O&M as $1.1 million. The City and PRA responded by offering $114,562.00, which the City believes represents its equitable share of the O&M. DEP has rejected this offer and indicated it is reviewing its various enforcement options.

Finally, it is expected that in the next two to three years, EPA will make a demand on the City to pay a portion of OU-3, the ground water study, and likely clean-up. The City's consultant estimates the total cost of OU-3 could reach $10 million. We would expect to pay a similar equitable share, somewhere between 10 and 11 percent, for OU-3.

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 2018, the 1999A indenture did operate at a deficit. The City provided almost $0.3 million to cover debt service payments during fiscal year 2018. As of March 31, 2018, the City of Philadelphia has provided approximately $13.1 million in its role as guarantor of these bonds. The 1999A Indenture provides for the PPA to repay the City for any funds paid by the City as a result of its guarantee. In the event of a sale of the related parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of $10.93 million at March 31, 2018.

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, 2018, which accounted for $519.3 million for all open programs as of November 30, 2018. Of this amount, $427.2 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2018. The remaining $92.1 million is city-funded general fund grants. For Fiscal Years ending June 30, 2018 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 Children and Youth Program reimbursed by the Commonwealth of Pennsylvania, was accounted for in the General Fund. Starting in fiscal year 2012, the reimbursable portion of this program was accounted for in the Grants Revenue Fund, and the non-reimbursable portion continues to be accounted for in the General Fund. At June 30, 2017, the Grants Revenue Fund had a $357.31 million receivable for the Children and Youth Program. In FY 2018 the Grants Revenue Fund had expenditures totaling $528.79 million and revenue totaling $648.48 million. At June 30, 2018, the Grants Revenue Fund had a $169.00 million receivable for the Children and Youth Program. Due to the nature of the program's billing polices, the city has 24 months after the current fiscal yearend date to submit a final reimbursement request. If receivables for program costs submitted for reimbursement are subsequently deemed ineligible, such non-reimbursable costs will be charged to the General Fund. Additionally, there is $31 million of cash balances for the Mental Health/Intellectual Disabilities/Early Intervention grants related to fiscal years 2015 and prior that will also be factored into the Grants Revenue Fund's settlement with 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 (950) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of $2.0 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 $2.0 million.

Other Matters - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of $18.0 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 $2.6 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 $3.6 million and $5.5 million, respectively, arising from personal injury and property damage claims and lawsuits.

Federal Audits - U.S. Department of Education ("DOE") 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. After the School District responded to a preliminary draft audit report (by supporting the vast majority of the questioned expenditures), the OIG issued an audit report on January 15, 2010, assessing the School District's management of federal grant funds during the 2006 fiscal year. The report identified $138.8 million in findings resulting from the audit of controls over federal expenditures, of which the OIG considered $121.1 million to be inadequately supported and $17.7 million to be unallowable costs. The report included five findings, the largest of which related to alleged undocumented salary and benefits charged to federal programs in the amount of $123.0 million, which the District was able to subsequently substantiate to DOE.

DOE issued two program determination letters (PDLs) related to the 2010 audit report seeking a recovery of funds. The PDLs were issued to PDE. DOE issued one additional PDL (three PDLs total) on the remaining findings that required corrective action, but did not result in monetary exposure. All corrective actions have been implemented as part of the School District's corrective action plan agreed to by PDE, DOE, and the School District.

The first PDL demanded a recovery of $9.9 million (down from the initial $138.8 million finding, which DOE stipulated should be further reduced to $7.2 million based on the application of the statute of limitations). Administrative and federal court appeals culminated in a Third Circuit panel decision dated March 10, 2016, sustaining the $7.2

million liability. PDE and the School District filed a petition for certiorari with the Supreme Court which was denied on October 3, 2016. On February 3, 2017, PDE received a letter from DOE demanding payment for the $7.2 million liability by March 1, 2017. The School District paid the liability in full on February 27, 2017.

The second PDL demanded a recovery of $2.5 million, but after PDE and the School District presented documentation demonstrating the application of the statute of limitations to DOE on April 4, 2016, DOE decided not to seek recovery of this amount.

After remitting payment of $7.2 million related to the first PDL, PDE and the School District submitted an application for a “grantback” in accordance with 20 U.S.C. 1234h. The grantback application requests a return of 75% of the remitted funds, or $5.4 million, to be used by the District for specified federal program purposes. On May 24, 2018, DOE published an intent to award the grantback in the Federal Register for public comment. The public comment period closed on June 29, 2018. The grantback application is currently under review by DOE.

Administrative Appeals in Pennsylvania Department of Education

Numerous charter schools have filed charter payment withholding requests with PDE and/or petitions for review in the Commonwealth Court in which the charter schools seek either payment from the School District, a withholding by PDE from the School District State subsidies, or a court order mandating that payment be made to the charter schools from the School District or PDE. The main issue in these cases or proceedings is whether PDE's interpretation of 24 P.S. § 1725-A(a)(5) set forth in the PDE-363 Guidelines is valid.

The School District received several state subsidy withholding requests filed with PDE by charter schools that enrolled Philadelphia resident students. These withholding requests concern the calculation of the per-pupil rates using PDE’s Form 363 for Philadelphia resident students 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. This is an issue in a significant number of withholding requests submitted to PDE seeking subsidy from many school districts in Pennsylvania.

In First Phila. Prep. Charter School, et al. v. School District of Philadelphia, Comm. Ct., 159 MD 2017, seven charter schools have filed an action in Commonwealth Court related to the 2015-2016 school year. PDE withheld a total amount of $2.1 million for these charter schools as a result of their requests for payment.

One charter school submitted a payment request to PDE related to the 2015-2016 school year. PDE withheld a total amount of $0.5 million for this charter school. After the commencement of an administrative hearing before PDE, the parties continued the hearing to allow the School District to conduct an enrollment audit of the charter school because of student enrollment issues. The parties reached a settlement in the administrative matter under which the charter school has agreed to pay the School District $0.3 million, and to withdraw the charter school’s claims in the Commonwealth Court action.

Fourteen other charter schools submitted payment requests to PDE related to the 2015- 2016 school year. PDE has withheld a total amount of $1.66 million for these charter schools and refused to make withholdings based on requests by some of these schools for $1.8 million. Administrative hearings before PDE are in progress.

Twenty-two charter schools have submitted payment requests to PDE related to the 2016- 2017 school year, and PDE has withheld a total amount of over $10.0 million for these charter schools from the School District’s state subsidies. Administrative hearings before PDE are in progress.

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 $2.1 million for the pending withholding requests of which we are aware as described above.

2018 Tax Reassessment Cases

On September 14, 2017, the first plaintiffs, the individual owners of 76 commercial properties, filed suit in the Court of Common Pleas of Philadelphia County, alleging that the 2018 property tax reassessment performed by the City’s Office of Property Assessment (the “OPA”) violated the Uniformity Clause of the Pennsylvania Constitution, as well as the statutes controlling assessments in Pennsylvania and first-class counties, and seeking the reduction of their 2018 tax bills to levels based on 2017 values. Plaintiffs allege that, 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 that, 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.

Subsequently, ten additional cases were filed, asserting virtually the same claims. All of the cases, which in total currently encompass approximately 500 plaintiffs, have been 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 then filed Answers with New Matter to each complaint. The dis-covery deadline has now passed; currently, the cases are scheduled for trial in April or May 2019.

The City believes that the lawsuits both misstate the relevant facts about the OPA's assessment process and misapply the relevant law and, and the City intends to vigorously defend its interests. Moreover, even if the assessment process for the 2018 tax year should be found to violate Uniformity under the very recent Valley Forge ruling, the City believes that Valley Forge represents a significant change in the law and that it operated in good faith consistent with the prior case law, and thus that there is a strong possibility that any relief ordered may be prospective, rather than retrospective, in nature. However, the real estate tax revenue associated with the increase of taxable assessed values for the properties in question currently exceeds $36.0 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 Use and Occupancy tax exposure for the properties in question, which only impacts the School District of Philadelphia, is approximately $6.0 million. The City's Law Department cannot classify the outcome of the lawsuits at this time.

9 SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2018 through and including February 24, 2019. The following events are described below:

A. PRIMARY GOVERNMENT

1. Through August 2018 draw-downs totaling $1.5 million represent new loans from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for green infrastructure storm water management.
2. In November 2018, the City issued $276.9 million of Water and Wastewater Revenue Bonds, Series 2018A. 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.
3. In November 2018, the Philadelphia Authority for Industrial Development issued $79.5 million in City Service Agreement Revenue Bonds, Series 2018. 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.

B. COMPONENT UNITS

1. **SDP** Subsequent Events

   a. Tax Anticipation Revenue Notes (TRAN)

      In July 2018, 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 School Reform Commission, through a resolution, authorized the issuance and sale of TRAN Note Series of 2017-2018 which was issued as fixed and variable rate notes in the aggregate of $400.0 million which matures on June 28, 2019.

      On July 12, 2018, the District issued Series 2018-2019 TRAN under two separate subseries and sold them to two separate private banks. The District issued and sold (1) Series A 2017-2018 as a fixed rate mode for $225.0 million and (2) Series B of 2017-2018 as a fixed rate mode for $225.0 million. Both series were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2019.

b. Dissolution of the State Controlled School Reform Commission (SRC) and a Return to Local Governance

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. The School Reform Commission was appointed and assumed governance of the School District for the period of distress. On November 16, 2017, the School Reform Commission adopted a resolution recommending that the Secretary issue a declaration that the School Reform Commission dissolve effective June 30, 2018, as the School District is no longer distressed and therefore no longer requires governance by a School Reform Commission. 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, and a new Board of Education, whose members are appointed by the Mayor of the City Philadelphia, assumed governance of the School District on July 1, 2018. The new Board of Education smoothly transitioned from the School Reform Commission as planned and has been in governance since the start of Fiscal Year 2019.

c. Rating Agency Action

In December 2018, Moody's upgraded the School District of Philadelphia's underlying bond rating by two notches to Baa3 and set the outlook to "Stable." This is the first time Moody's has assigned an Investment Grade rating to the School District since 1977. This upgrade was based upon several factors which included: 1) three consecutive years of operating surpluses, 2) permanent tax revenues from the city of Philadelphia eliminating previously anticipated deficits in the near-term, 3) a return of local control resulting in closer alignment with the city and School District's interests, and, 4) strong District management which has a detailed understanding of the District's finances and the ongoing operating complexities of managing a highly dynamic, large, urban school district.

2. PHA Subsequent Events:

Vehicle Lease: PHA and Enterprise executed a lease agreement whereby Enterprise will lease additional 72 vehicles to PHA during the year ending March 31, 2019. PHA will pay Enterprise approximately $2.3 million for the vehicles.

Scattered Site Rehab – Project 5: Scattered site rehabilitation (Project 5) commenced in April 2018 and is projected to be completed in December 2018, Estimated cost for the project is $5.5 million.

Acquisition of Limited Partnership interest: On June 21, 2018, PHA acquired 99.99% limited partnership interest in Suffolk Manor Apartments, L.P. and Cambridge Plaza LP, both of which are discrete component units of PHA.

3. PRA Issuance of Debt:

In October 2018, the Philadelphia Redevelopment Authority issued $40.0 million in City Service Agreement Revenue Bonds, Series 2018. The 2018 bonds were issued with interest rates ranging from 3.171% to 4.634%. The 2018 bonds were issued to (A) finance certain costs of the City's home repair program, and (B) pay the costs of issuing the 2018 bonds.

4. PHDC Subsequent Event:

In December 2018, PHDC and Local 1971 (District Council 33) agreed to a new collectively bargained labor agreement that will expire June 30, 2020. Outside of significant economic increases to represented staff a fundamental operating change has been agreed. As of January 01, 2019, all represented employees at the Philadelphia Redevelopment Authority (PRA) will become PHDC employees. The ramifications and financial impact of this change will be evaluated during Fiscal Year 2019 as the Administration of the City of Philadelphia tries to gain further efficiencies by consolidating its housing agencies.

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, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Tax Revenue	3,298,332	3,349,427	3,401,829	52,402
Locally Generated Non-Tax Revenue	307,058	308,248	320,643	12,395
Revenue from Other Governments	735,524	753,184	778,153	24,969
Revenue from Other Funds	64,191	63,570	55,437	(8,133)
Total Revenues	4,405,105	4,474,429	4,556,062	81,633
Expenditures and Encumbrances				
Personal Services	1,628,903	1,702,314	1,690,081	12,233
Pension Contributions	680,250	742,237	742,237	-
Other Employee Benefits	627,550	566,112	571,784	(5,672)
Sub-Total Employee Compensation	2,936,703	3,010,663	3,004,102	6,561
Purchase of Services	935,078	947,417	891,074	56,343
Materials and Supplies	73,337	70,234	66,633	3,601
Equipment	32,340	39,582	35,558	4,024
Contributions, Indemnities and Taxes	196,010	196,510	195,197	1,313
Debt Service	157,322	157,322	148,795	8,527
Payments to Other Funds	36,026	66,026	61,495	4,531
Advances, Subsidies, Miscellaneous	70,893	71,088	-	71,088
Total Expenditures and Encumbrances	4,437,709	4,558,842	4,402,854	155,988
Operating Surplus (Deficit) for the Year	(32,604)	(84,413)	153,208	237,621
Fund Balance Available for Appropriation, July 1, 2017	88,596	189,244	189,244	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,000	25,241	26,331	1,090
Other Adjustments	(4,500)	(2,300)	-	2,300
Adjusted Fund Balance, July 1, 2017	108,096	212,185	215,575	3,390
Fund Balance Available for Appropriation, June 30, 2018	75,492	127,772	368,783	241,011

* 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, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual*	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	2,000	2,000	4,403	2,403
Revenue from Other Governments	1,298,000	1,198,000	1,002,472	(195,528)
Total Revenues	1,300,000	1,200,000	1,006,875	(193,125)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(51,516)	(51,516)
Total Revenues and Other Sources	1,300,000	1,200,000	955,359	(244,641)
Expenditures and Encumbrances				
Personal Services	-	900	675	225
Purchase of Services	1,298,400	1,297,500	995,537	301,963
Payments to Other Funds	1,600	1,600	48	1,552
Total Expenditures and Encumbrances	1,300,000	1,300,000	996,260	303,740
Operating Surplus (Deficit) for the Year	-	(100,000)	(40,901)	59,099
Fund Balance Available for Appropriation, July 1, 2017	-	72,493	72,493	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	57,970	57,970
Adjusted Fund Balance, July 1, 2017	-	72,493	130,463	57,970
Fund Balance Available for Appropriation, June 30, 2018	-	(27,507)	89,562	117,069

* 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, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	151,368	92,189	65,638	(26,551)
Revenue from Other Governments	1,481,067	1,232,895	951,832	(281,063)
Total Revenues	1,632,435	1,325,084	1,017,470	(307,614)
Other Sources				
Increase in Unreimbursed Committments	-	-	7,823	7,823
Decrease in Financed Reserves	-	-	287	287
Total Revenues and Other Sources	1,632,435	1,325,084	1,025,580	(299,504)
Expenditures and Encumbrances				
Personal Services	180,028	191,258	145,316	45,942
Pension Contributions	22,980	39,444	31,114	8,330
Other Employee Benefits	45,999	40,341	30,710	9,631
Sub-Total Employee Compensation	249,007	271,043	207,140	63,903
Purchase of Services	1,090,146	1,063,101	805,706	257,395
Materials and Supplies	38,272	26,508	13,851	12,657
Equipment	-	16,338	5,184	11,154
Contributions, Indemnities and Taxes	100	101	-	101
Payments to Other Funds	54,909	55,538	37,939	17,599
Advances, Subsidies, Miscellaneous	200,001	60,876	-	60,876
Total Expenditures and Encumbrances	1,632,435	1,493,505	1,069,820	423,685
Operating Surplus (Deficit) for the Year	-	(168,421)	(44,240)	124,181
Fund Balance Available for Appropriation, July 1, 2017	-	(287,099)	(287,154)	(55)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	36,874	36,874
Revenue Adjustments - Net	-	-	13,156	13,156
Prior Period Adjustments	-	287,099	-	(287,099)
Other Adjustments	-	-	(7,121)	(7,121)
Adjusted Fund Balance, July 1, 2017	-	-	(244,245)	(244,245)
Fund Balance Available for Appropriation, June 30, 2018	-	(168,421)	(288,485)	(120,064)

* 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 2017
Total OPEB Liability	
Service Cost (BOY)	89,300,000
Interest (includes interest on service cost)	56,100,000
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(105,600,000)
Benefit payments, including refunds of member contributions	(114,800,000)
Net change in total OPEB liability	**(75,000,000)**
Total OPEB liability - beginning	1,936,600,000
Total OPEB liability - ending	**1,861,600,000**
Plan fiduciary net position	
Contributions - employer	114,800,000
Contributions - non-employer	-
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(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	**1,861,600,000**
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	1,864,800,000
Net OPEB liability as a percentage of covered-employee payroll	99.83%

City of Philadelphia - Municipal Pension Plan - Schedule of Changes in Net Pension Liability *(Amounts of USD)*

	FYE 2018	FYE 2017	FYE 2016	FYE 2015
Total Pension Liability				
Service Cost (MOY)	164,137,303	157,607,110	148,370,075	143,556,347
Interest (includes interest on service cost)	843,171,926	823,959,345	802,450,569	791,298,503
Changes of benefit terms	4,064,886	-	-	-
Differences between expected and actual experience	28,937,167	103,878,650	151,918,733	34,909,464
Changes of assumptions	106,021,273	51,441,475	85,147,737	48,146,352
Benefit payments, including refunds of member contributions	(828,266,043)	(821,495,227)	(889,343,124)	(881,464,964)
Net change in total pension liability	**318,066,512**	**315,391,353**	**298,543,990**	**136,445,702**
Total Pension liability - beginning	11,192,601,311	10,877,209,958	10,578,665,968	**10,442,220,266**
Total Pension liability - ending	**11,510,667,823**	**11,192,601,311**	**10,877,209,958**	**10,578,665,968**
Plan fiduciary net position				
Contributions - employer	781,984,326	706,236,698	660,246,511	577,195,412
Contributions - member	83,288,635	73,607,359	67,055,003	58,657,817
Net investment income	440,326,787	566,624,580	(145,681,480)	13,838,367
Benefit payments, including refunds of member contributions	(828,266,043)	(821,495,227)	(889,343,124)	(881,666,036)
Administrative expense	(10,123,004)	(8,873,657)	(8,553,837)	(10,478,541)
Net change in plan fiduciary net position	467,210,701	516,099,753	**(316,276,927)**	**(242,452,981)**
Plan fiduciary net position - beginning	4,874,074,826	4,357,975,073	4,674,252,416	**4,916,705,397**
Plan fiduciary net position - ending	**5,341,285,527**	**4,874,074,826**	**4,357,975,073**	**4,674,252,416**
Net pension liability - ending	**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	46.40%	43.55%	40.07%	44.19%
Covered payroll	1,801,398,776	1,744,729,284	1,676,411,925	1,545,499,872
Net pension liability as a percentage of covered payroll	342.48%	362.15%	388.88%	382.04%

City of Philadelphia Schedule of Collective Contributions (Based on Minimum Municipal Obligations)

Last 10 Fiscal Years
Amounts in Thousands

	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009
Actuarially determined Contribution	661,257	629,620	594,975	556,030	523,368	727,604	534,039	463,375	297,446	438,522
Contributions in Relation to the Actuarially Determined Contribution	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155	312,556	455,389
Contribution Deficiency/(Excess)	(120,727)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)	(15,110)	(16,867)
Covered Payroll	1,801,399	1,744,729	1,676,412	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274	1,421,151	1,463,260
Contributions as a Percentage of Covered Payroll	43.41%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%	31.12%

City of Philadelphia Schedule of Collective Contributions (Based on Revenue Recognition Policy)

Last 10 Fiscal Years
Amounts in Thousands

	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009
Actuarially determined Contribution	662,139	629,620	594,975	556,030	523,368	727,604	534,039	463,375	297,446	438,522
Contributions in Relation to the Actuarially Determined Contribution	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155	312,556	455,389
Contribution Deficiency/(Excess)	(119,845)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)	(15,110)	(16,867)
Covered Payroll	1,801,399	1,744,729	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274	1,421,151	1,463,260
Contributions as a Percentage of Covered Payroll	43.41%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%	31.12%

City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)

Last 10 Fiscal Years
Amounts in Thousands

	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009
Actuarially determined Contribution	871,802	881,356	846,283	798,043	823,885	738,010	722,491	715,544	581,123	539,464
Contributions in Relation to the Actuarially Determined Contribution	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155	312,556	455,389
Contribution Deficiency/(Excess)	89,818	175,119	186,036	220,847	270,706	(43,813)	166,801	245,389	268,567	84,075
Covered Payroll	1,801,399	1,744,729	1,676,412	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274	1,421,151	1,463,260
Contributions as a Percentage of Covered Payroll	43.41%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%	21.99%	31.12%

Notes to Schedule

Valuation Date	7/1/2016
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 over reducing the City's obligation such that this revenue is in addition to the MMO would be without these additional assets.
Discount rate	7.70%
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, 2018 can be found in the July 1, 2016 actuarial valuation report.

Philadelphia Gas Works - Schedule of Changes in Net Pension Liability *(Amounts in thousands USD)*

	FYE 2018	FYE 2017	FYE 2016
Total Pension Liability			
Service Cost	6,103	5,823	5,400
Interest Cost	55,718	55,443	55,903
Changes in Benefit Terms	-	-	-
Differences between expected and actual experience	15,706	2,182	(8,841)
Changes in assumptions	(3,864)	(7,952)	26,748
Benefit Payments	(52,627)	(51,376)	(50,447)
Net Change in Total Pension Liability	**21,036**	**4,120**	**28,763**
Total Pension Liability (Beginning)	**783,471**	**779,351**	**750,588**
Total Pension Liability (Ending)	**804,507**	**783,471**	**779,351**
Plan Fiduciary Net Position			
Contributions-Employer	29,143	27,918	21,123
Contributions - Member	1,078	852	602
Net Investment Income	44,310	61,002	2,872
Benefit Payments	(52,627)	(51,376)	(50,446)
Administrative Expense	(184)	(129)	(1,611)
Other	-	-	-
Net Change in Fiduciary Net Position	**21,720**	**38,267**	**(27,460)**
Plan Fiduciary Net Position (Beginning)	**521,526**	**483,259**	**510,719**
Plan Fiduciary Net Position (Ending)	**543,246**	**521,526**	**483,259**
Net Pension Liability (Ending)	**261,261**	**261,945**	**296,092**
Total Pension Liability	804,507	783,471	779,351
Plan Fiduciary Net Position	543,246	521,526	483,259
Net Pension Liability (Ending)	**261,261**	**261,945**	**296,092**
Net Position as a percentage of Pension Liability	67.53%	66.57%	62.01%
Covered Payroll	101,271	94,768	90,860
Net Pension Liability as a percentage of Payroll	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 2018	FYE 2017	FYE 2016
Actuarially Determined Contribution	28,395	29,260	26,476
Contributions Made	29,143	27,918	21,123
Contribution Deficiency/(Excess)	(748)	1,342	5,353
Covered Payroll	101,271	94,768	90,860
Contributions as a percent of covered payroll	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, 2018
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Contributions based on greater of 20 year level dollar open amortization method and 30 ye level dollar closed amortization method.
Asset Valuation Method	Actual Fair Market Value
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-2017

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	4,556,062	1,006,875	1,017,470
Transfers	(493,664)	-	-
Program Income	-	-	47,776
Adjustments applicable to Prior Years Activity	-	-	-
Change in Amount Held by Fiscal Agent	37	-	-
Change in BPT Adjustment	(8,146)	-	-
Return of Loan	-	-	-
Other	-	-	13,156
Statement of Revenues, Expenditures & Changes in Fund Balance	4,054,289	1,006,875	1,078,402
Expenditures and Encumbrances			
Budgetary Comparison Schedule	4,402,854	996,260	1,069,820
Transfers	(225,964)	-	(43,808)
Bond Issuance Costs	1,599	-	-
Expenditures applicable to Prior Years Budgets	65,169	20,843	(15,837)
Program Income	-	-	47,776
Payments for Current Bond Refundings	71,350	-	-
Capital Outlay for New Police Headquarters	252,500	-	-
Change in Amount Held by Fiscal Agent	(40,830)	-	-
Current Year Encumbrances	(90,142)	(27,296)	(28,860)
Statement of Revenues, Expenditures & Changes in Fund Balance	4,436,536	989,807	1,029,091

City of Philadelphia
PENNSYLVANIA

Other Supplementary Information

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

COUNTY LIQUID FUELS TAX - Established to account for funds made available by Public Law No. 149.

SPECIAL GASOLINE TAX - Established to account for funds made available by Public Law No. 588.

HOTEL ROOM RENTAL TAX - Established to account for the tax levied to promote tourism.

COMMUNITY DEVELOPMENT - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

CAR RENTAL TAX - Established to account for the tax levied to retire new municipal stadium debt.

HOUSING TRUST - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

ACUTE CARE HOSPITAL ASSESSMENT - Established in FY 2009 to account for the assessment of certain net operating revenues of certain acute care hospitals.

RIVERVIEW RESIDENTS - Established to maintain a commissary and provide other benefits for the residents.

PHILADELPHIA PRISONS - Established to operate a workshop and to provide benefits for the prison inmates.

ARBITRATION APPEALS - Established to account for certain court fees and provide funds for the arbitration board.

DEPARTMENTAL - Established to account for various activities of the Free Library and Parks and Recreation.

MUNICIPAL AUTHORITY ADMINISTRATIVE - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE - Established to account for PICA revenues from taxes and deficit financing transactions.

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

CITY - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

MUNICIPAL AUTHORITY - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE - Established to account for the debt service activities related to the deficit financing provided by PICA.

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets .

CITY - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

MUNICIPAL AUTHORITY - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

PERMANENT FUNDS

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

LIBRARIES & PARKS - Established to account for trust of the Free Library and Parks and Recreation.

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

Schedule I

Amounts in thousands of USD

	Special Revenue												
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets													
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	7,728	37	24,990	32,755
Equity in Treasurer's Account	9,903	52,355	9,342	-	5,143	35,006	17,755	30	4,057	3,597	-	-	137,188
Investments	-	-	-	-	-	-	-	-	-	1,015	-	-	1,015
Due from Other Funds	-	-	-	-	-	-	-	-	-	52	5,372	-	5,424
Due from Component Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	7,514	-	610	-	2,362	-	-	-	-	3,003	13,489
Accounts Receivable	-	-	-	2,400	-	-	-	-	-	-	94	-	2,494
Due from Other Governmental Units	-	-	-	6,496	-	-	-	-	-	-	-	-	6,496
Allowance for Doubtful Accounts	-	-	(451)	-	-	-	(2,126)	-	-	-	-	-	(2,577)
Interest and Dividends Receivable	-	-	-	-	15	-	-	-	-	-	-	8	23
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	102	-	39	141
Total Assets	9,903	52,355	16,405	8,896	5,768	35,006	17,992	30	4,057	12,494	5,503	28,040	196,449
Liabilities													
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Vouchers Payable	-	1,754	-	534	-	311	109	-	131	325	-	-	3,164
Accounts Payable	-	3,411	2,388	3,521	-	912	112	-	-	319	5,654	64	16,381
Salaries and Wages Payable	6	-	-	208	-	-	150	-	-	-	-	-	364
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	62	62
Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	4,158	-	-	-	-	-	15	-	3,003	7,176
Due to Primary Government	-	-	-	-	-	-	-	-	-	-		-	-
Due to Component Units	-	-	-	507	-	506	-	-	-	-	-	-	1,013
Funds Held in Escrow	-	-	-	-	-	-	-	-	448	842	-	-	1,290
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue Bond	-	-	-	-	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	6	5,165	2,388	8,928	-	1,728	372	-	579	1,501	5,654	3,129	29,450
Deferred Inflows of Resources	-	-	128	8,689	-	-	236	-	-	-	-	-	9,053
Fund Balances													
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	9,897	47,190	13,889	-	5,768	33,278	17,384	-	-	9,894	(151)	24,911	162,060
Committed	-	-	-	-	-	-	-	30	3,478	1,099	-	-	4,607
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(8,721)	-	-	-	-	-	-	-	-	(8,721)
Total Fund Balances	9,897	47,190	13,889	(8,721)	5,768	33,278	17,384	30	3,478	10,993	(151)	24,911	157,946
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	9,903	52,355	16,405	8,896	5,768	35,006	17,992	30	4,057	12,494	5,503	28,040	196,449

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2018

Schedule I

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Assets									
Cash on Deposit and on Hand	-	-	15,767	15,767	-	-	-	367	48,889
Equity in Treasurer's Account	628	-	-	628	184,337	-	184,337	-	322,153
Investments	-	-	46,605	46,605	-	13,171	13,171	7,075	67,866
Due from Other Funds	-	-	-	-	-	-	-	-	5,424
Due from Component Units	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-	13,489
Accounts Receivable	-	-	-	-	-	-	-	-	2,494
Due from Other Governmental Units	-	-	-	-	68,328	-	68,328	-	74,824
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(2,577)
Interest and Dividends Receivable	-	-	52	52	9	-	9	-	84
Inventories	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	141
Total Assets	628	-	62,424	63,052	252,674	13,171	265,845	7,442	532,788
Liabilities									
Notes Payable	-	-	-	-	-	-	-	-	-
Vouchers Payable	-	-	-	-	5,200	-	5,200	-	8,364
Accounts Payable	-	-	-	-	21,218	80	21,298	1	37,680
Salaries and Wages Payable	-	-	-	-	197	-	197	-	561
Payroll Taxes Payable	-	-	-	-	-	-	-	-	62
Accrued Expenses	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	37	7,213
Due to Primary Government	-	-	-	-	-	-	-	-	-
Due to Component Units	-	-	-	-	1,616	-	1,616	-	2,629
Funds Held in Escrow	-	-	-	-	2,825	-	2,825	-	4,115
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	9,709	-	9,709	-	9,709
General Obligation Bonds	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue B	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	40,765	80	40,845	38	70,333
Deferred Inflows of Resources	-	-	-	-	63,980	-	63,980	-	73,033
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	3,527	3,527
Restricted	628	-	62,424	63,052	147,929	13,091	161,020	3,877	390,009
Committed	-	-	-	-	-	-	-	-	4,607
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(8,721)
Total Fund Balances	628	-	62,424	63,052	147,929	13,091	161,020	7,404	389,422
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	628	-	62,424	63,052	252,674	13,171	265,845	7,442	532,788

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, 2018

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	-	-	69,483	-	5,701	-	144,803	-	-	-	-	-	498,713	718,700
Locally Generated Non-Tax Revenue	9	312	-	1,948	40	14,153	-	-	2,833	377	3,333	46	505	23,556
Revenue from Other Governments	8,717	36,730	-	35,766	-	-	-	-	-	-	-	-	-	81,213
Other Revenues	-	-	-	-	-	-	-	-	-	-	801	-	584	1,385
Total Revenues	8,726	37,042	69,483	37,714	5,741	14,153	144,803	-	2,833	377	4,134	46	499,802	824,854
Expenditures														
Current Operating:														
Economic Development	-	-	69,263	-	-	-	-	-	-	-	-	-	-	69,263
Transportation:														
Streets & Highways	4,745	29,919	-	-	-	-	-	-	-	-	-	-	-	34,664
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	1,846	-	-	-	-	1,846
Conservation of Health:														
Health Services	-	-	-	-	-	-	140,365	-	-	-	-	-	-	140,365
Housing and Neighborhood Development	-	-	-	38,049	-	11,522	-	-	-	-	-	-	-	49,571
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	2,773	-	-	2,773
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	455	-	-	455
Improvements to General Welfare:														
Service to Property:														
General Management and Support	-	-	-	-	6,000	-	-	-	863	377	3,307	43,940	1,250	55,737
Capital Outlay	-	-	-	-	-	-	-	-	-	.	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,745	29,919	69,263	38,049	6,000	11,522	140,365	-	2,709	377	6,535	43,940	1,250	354,674
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,981	7,123	220	(335)	(259)	2,631	4,438	-	124	-	(2,401)	(43,894)	498,552	470,180
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	1,273	43,702	-	44,975
Transfers Out	-	-	-	-	-	-	(500)	-	-	-	(75)	-	(498,838)	(499,413)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(500)	-	-	-	1,198	43,702	(498,838)	(454,438)
Net Change in Fund Balances	3,981	7,123	220	(335)	(259)	2,631	3,938	-	124	-	(1,203)	(192)	(286)	15,742
Fund Balance - July 1, 2017	5,916	40,067	13,669	(8,386)	6,027	30,647	13,446	30	3,354	-	12,196	41	25,197	142,204
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2017	5,916	40,067	13,669	(8,386)	6,027	30,647	13,446	30	3,354	-	12,196	41	25,197	142,204
Fund Balance - June 30, 2018	9,897	47,190	13,889	(8,721)	5,768	33,278	17,384	30	3,478	-	10,993	(151)	24,911	157,946

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, 2018

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	-	-	-	-	-	-	-	-	718,700
Locally Generated Non-Tax Revenue	5	-	2,062	2,067	-	82	82	626	26,331
Revenue from Other Governments	-	-	-	-	20,216	-	20,216	-	101,429
Other Revenues	-	-	-	-	3,339	-	3,339	-	4,724
Total Revenues	5	-	2,062	2,067	23,555	82	23,637	626	851,184
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	69,263
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	34,664
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	1,846
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	140,365
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	49,571
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	108	2,881
Libraries and Museums	-	-	-	-	-	-	-	1	456
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-	-	-	-	-	-	-	-	55,737
Capital Outlay	-	-	-	-	201,933	1,259	203,192	-	203,192
Debt Service:									
Principal	70,820	33,140	45,440	149,400	-	-	-	-	149,400
Interest	75,382	8,281	10,655	94,318	-	-	-	-	94,318
Bond Issuance Cost	538	-	138	676	1,615	-	1,615	-	2,291
Total Expenditures	146,740	41,421	56,233	244,394	203,548	1,259	204,807	109	803,984
Excess (Deficiency) of Revenues Over (Under) Expenditures	(146,735)	(41,421)	(54,171)	(242,327)	(179,993)	(1,177)	(181,170)	517	47,200
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	-	250,845	-	250,845	-	250,845
Issuance of Refunding Bonds	80,770	-	-	80,770	-	-	-	-	80,770
Bond Issuance Premium	12,968	-	-	12,968	35,142	-	35,142	-	48,110
Payment to Refunded Bonds Escrow Agent	(93,200)	-	-	(93,200)	-	-	-	-	(93,200)
Transfers In	146,470	41,391	44,633	232,494	31,350	30	31,380	-	308,849
Transfers Out	-	-	-	-	-	-	-	(48)	(499,461)
Total Other Financing Sources (Uses)	147,008	41,391	44,633	233,032	317,337	30	317,367	(48)	95,913
Net Change in Fund Balances	273	(30)	(9,538)	(9,295)	137,344	(1,147)	136,197	469	143,113
Fund Balance - July 1, 2017	355	30	71,962	72,347	10,585	14,238	24,823	6,935	246,309
Adjustment	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2017	355	30	71,962	72,347	10,585	14,238	24,823	6,935	246,309
Fund Balance - June 30, 2018	628	-	62,424	63,052	147,929	13,091	161,020	7,404	389,422

City of Philadelphia

Schedule III

Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2018

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Cash on Deposit and on Hand	20,504	-	20,504
Equity in Treasurer's Account	526,452	5,222,869	5,749,321
Securities Lending Collective Investment Pool	-	411,287	411,287
Allowance for Unrealized Loss	-	32	32
Accounts Receivable	-	3,536	3,536
Due from Brokers for Securities Sold	1,013	137,109	138,122
Interest and Dividends Receivable	1,539	-	1,539
Due from Other Governmental Units	-	9,226	9,226
Due from Other Funds	-	98,235	98,235
Total Assets	549,508	5,882,294	6,431,802
Liabilities			
Vouchers Payable	-	75	75
Accounts Payable	205	30	235
Salaries and Wages Payable	-	186	186
Due on Return of Securities Loaned	-	411,287	411,287
Due to Brokers for Securities Purchased	5,939	125,727	131,666
Accrued Expenses	-	3,439	3,439
Other Liabilities	118	264	382
Total Liabilities	6,262	541,008	547,270
Net Position Held in Trust for Pension Benefits	543,246	5,341,286	5,884,532

City of Philadelphia

Schedule IV

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	29,143	781,984	811,127
Employees' Contributions	1,078	83,289	84,367
Total Contributions	30,221	865,273	895,494
Investment Income:			
Interest and Dividends	12,117	127,785	139,902
Net Gain in Fair Value of Investments	33,474	318,230	351,704
(Less) Investments Expenses	(1,281)	(7,500)	(8,781)
Securities Lending Revenue	-	1,836	1,836
(Less) Securities Lending Expenses	-	(275)	(275)
Net Investment Gain	44,310	440,076	484,386
Miscellaneous Operating Revenues	-	251	251
Total Additions	74,531	1,305,600	1,380,131
Deductions			
Personal Services	-	3,670	3,670
Purchase of Services	-	2,264	2,264
Materials and Supplies	-	48	48
Employee Benefits	-	4,073	4,073
Pension Benefits	52,627	819,767	872,394
Refunds of Members' Contributions	-	8,499	8,499
Administrative Expenses Paid	184	-	184
Other Operating Expenses	-	68	68
Total Deductions	52,811	838,389	891,200
Change in Net Position	21,720	467,211	488,931
Net Position - July 1, 2017	521,526	4,874,075	5,395,601
Net Position - June 30, 2018	543,246	5,341,286	5,884,532

City of Philadelphia
Schedule V
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2018

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	128,138	128,138
Equity in Treasurer's Account	55,478	28,760	-	84,238
Investments	-	-	2,388	2,388
Due from Other Funds	-	-	699	699
Total Assets	55,478	28,760	131,225	215,463
Liabilities				
Vouchers Payable	57	1	-	58
Payroll Taxes Payable	-	15,291	-	15,291
Funds Held in Escrow	55,421	13,468	131,225	200,114
Total Liabilities	55,478	28,760	131,225	215,463
Net Position	-	-	-	-

City of Philadelphia

Schedule VI

Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Balance 7-1-2017	Additions	Deductions	Balance 6-30-2018
Escrow Fund				
Assets				
Equity in Treasurer's Account	45,180	512,733	502,435	55,478
Liabilities				
Funds Held in Escrow	45,088	512,733	502,400	55,421
Vouchers Payable	92	1,292	1,327	57
Total Liabilities	45,180	514,025	503,727	55,478
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	18,815	1,081,402	1,071,456	28,761
Liabilities				
Vouchers Payable	1	8	8	1
Payroll Taxes Payable	5,656	986,898	977,263	15,291
Funds Held in Escrow	13,158	94,504	94,193	13,469
Total Liabilities	18,815	1,081,410	1,071,464	28,761
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	129,332	575,607	576,801	128,138
Investments	2,360	28	-	2,388
Due from Other Funds	699	-	-	699
Total Assets	132,391	575,635	576,801	131,225
Liabilities				
Funds Held in Escrow	132,391	575,635	576,801	131,225
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	129,332	575,607	576,801	128,138
Equity in Treasurer's Account	63,995	1,594,135	1,573,891	84,239
Investments	2,360	28	-	2,388
Due from Other Funds	699	-	-	699
Total Assets	196,386	2,169,770	2,150,692	215,464
Liabilities				
Vouchers Payable	93	1,300	1,335	58
Payroll Taxes Payable	5,656	986,898	977,263	15,291
Funds Held in Escrow	190,637	1,182,872	1,173,394	200,115
Total Liabilities	196,386	2,171,070	2,151,992	215,464

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2018

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2018 Outstanding	Maturities	Interest Rates	FY 2019 Debt Service Requirements: Interest	FY 2019 Debt Service Requirements: Principal
Governmental Activities							
General Obligation Bonds:							
Series 2007A (Refunding)	12/20/2007	188,910,000	30,700,000	8/2018 to 8/2019	5.00 to 5.25	1,014,125	20,835,000
Series 2008A (Refunding)	5/1/2008	195,170,000	9,095,000	12/2018	5.00 to 5.25	227,375	9,095,000
Series 2009A (Refunding)	8/13/2009	237,025,000	214,045,000	8/2019 to 8/2031	4.25 to 5.45	10,846,396	-
Series 2009B (Refunding)	8/13/2009 [1]	100,000,000	100,000,000	8/2027 to 8/2031	variable	3,816,004	-
Series 2011	4/19/2011	139,150,000	11,190,000	8/2018 to 8/2021	5.00 to 6.50	497,075	2,590,000
Series 2011 (Refunding)	4/19/2011	114,570,000	28,925,000	8/2018 to 8/2020	3.00 to 5.25	1,148,630	9,715,000
Series 2012A (Refunding)	5/8/2012	21,295,000	19,925,000	9/2019 to 9/2021	5.00	996,250	-
Series 2013A	7/30/2013	201,360,000	142,635,000	7/2018 to 7/2033	5.00 to 5.25	7,077,275	7,315,000
Series 2014A (Refunding)	2/6/2014	154,275,000	150,295,000	7/2018 to 7/2038	3.00 to 5.25	7,547,088	4,125,000
Series 2015A (Refunding)	7/8/2015	138,795,000	128,670,000	8/2018 to 8/2031	4.00 to 5.00	6,211,350	7,405,000
Series 2015B	9/30/2015	191,585,000	179,765,000	8/2018 to 8/2035	4.00 to 5.00	8,544,325	6,325,000
Series 2017 (Refunding)	2/2/2017	262,865,000	262,865,000	8/2018 to 8/2041	4.00 to 5.00	12,683,150	7,040,000
Series 2017A	8/2/2017	250,845,000	250,845,000	8/2018 to 8/2037	3.00 to 5.00	12,277,825	7,555,000
Series 2017A (Refunding)	8/2/2017	80,770,000	80,770,000	8/2021 to 8/2036	5.00	4,038,500	-
Total New Money Bonds		782,940,000	584,435,000			28,396,500	23,785,000
Total Refunding Bonds		1,493,675,000	1,025,290,000			48,528,868	58,215,000
Total General Obligation Bonds		2,276,615,000	1,609,725,000			76,925,368	82,000,000
Business Type Activities							
Revenue Bonds							
Water and Sewer Revenue Bonds:							
Series 1997B	11/25/1997 [2]	100,000,000	49,400,000	8/2018 to 8/2027	variable	673,050	4,000,000
Series 1999	4/22/1999	6,700,000	74,618	7/2018 to 4/2019	2.729	936	74,618
Series 2005B (Refunding)	5/4/2005 [1]	86,105,000	165,000	8/2018	variable	3,075	165,000
Series 2009A	5/21/2009	140,000,000	4,615,000	1/2019	4.00 to 5.75	252,363	4,615,000
Series 2009B	10/14/2009	29,432,930	19,409,742	7/2018 to 6/2033	1.193	397,608	1,180,365
Series 2009C	10/14/2009	46,699,887	33,624,172	7/2018 to 6/2033	1.193	688,383	2,087,057
Series 2009D	3/31/2010	71,956,891	52,615,521	7/2018 to 6/2033	1.193	1,076,077	3,381,543
Series 2010B	6/17/2010	28,500,000	22,248,264	7/2018 to 6/2033	1.193	404,641	1,392,745
Series 2010A (Refunding)	4/15/2010	396,460,000	35,760,000	6/2019	2.00 to 5.00	1,693,635	35,760,000
Series 2010C	8/5/2010	185,000,000	61,970,000	8/2018 to 8/2040	3.00 to 5.00	2,973,275	2,940,000
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	37,015,000	11/2018 to 11/2026	5.00	1,656,125	7,785,000
Series 2012 (Refunding)	11/1/2012	70,370,000	38,785,000	11/2025 to 11/2028	5.00	1,939,250	-
Series 2013A	8/22/2013	170,000,000	163,150,000	1/2019 to 1/2043	4.00 to 5.125	8,163,450	3,425,000
Series 2014 (Refunding)	1/23/2014	93,170,000	80,975,000	7/2018 to 7/2027	3.00 to 5.00	3,802,125	6,475,000
Series 2014	1/23/2014	30,000,000	30,000,000	7/2041 to 7/2043	5.00	1,500,000	-

City Related Schedule of Bonded Debt Outstanding
June 30, 2018

Amounts in USD

	Date of Issuance	Issued	Fiscal 2018 Outstanding	Maturities	Interest Rates	FY 2019 Debt Service Requirements Interest	Principal
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	6,810,100	-
Series 2016 (Refunding)	11/3/2016	192,680,000	191,070,000	10/2018 to 10/2035	3.00 to 5.00	8,795,038	9,300,000
Series 2017A	4/13/2017	279,865,000	279,865,000	10/2018 to 10/2052	5.00 to 5.25	13,616,125	20,000,000
Series 2017B (Refunding)	8/10/2017	174,110,000	171,205,000	11/2020 to 10/2034	5.00	8,560,250	-
Total New Money Bonds		1,498,974,708	1,127,792,317			50,273,908	43,096,328
Total Refunding Bonds		1,204,490,000	696,715,000			33,259,598	59,485,000
Total Water Revenue Bonds		2,703,464,708	1,824,507,317			83,533,506	102,581,328
Aviation Revenue Bonds:							
Series 2005C (Refunding)	6/2/2005 [1]	189,500,000	99,300,000	6/2019 to 6/2025	variable	3,551,045	12,200,000
Series 2010A	11/15/2010	273,065,000	245,260,000	6/2019 to 6/2040	3.75 to 5.25	12,313,213	6,355,000
Series 2010D (Refunding)	11/15/2010	272,475,000	168,925,000	6/2019 to 6/2028	4.00 to 5.25	8,720,700	17,670,000
Series 2011A (Refunding)	12/14/2011	199,040,000	153,890,000	6/2019 to 6/2028	4.625 to 5.00	7,638,906	7,705,000
Series 2011B (Refunding)	12/14/2011	34,790,000	24,995,000	6/2019 to 6/2031	3.375 to 5.00	1,072,769	1,515,000
Series 2015A (Refunding)	9/3/2015	97,780,000	87,270,000	6/2019 to 6/2035	4.00 to 5.00	4,277,950	3,390,000
Series 2017	4/27/2017	125,000,000	125,000,000	7/2018 to 4/2022	2.797	3,439,075	2,230,000
Series 2017A (Refunding)	12/20/2017	138,630,000	138,630,000	7/2018 to 6/2047	3.00 to 5.00	6,639,635	2,670,000
Series 2017B (Refunding)	12/20/2017	553,900,000	553,900,000	7/2018 to 6/2047	5.00	28,365,111	7,045,000
Total New Money Bonds		398,065,000	370,260,000			15,752,288	8,585,000
Total Refunding Bonds		1,486,115,000	1,226,910,000			60,266,116	52,195,000
Total Aviation Revenue Bonds		1,884,180,000	1,597,170,000			76,018,404	60,780,000
Total Revenue Bonds		4,587,644,708	3,421,677,317			159,551,910	163,361,328
Total All Bonds		6,864,259,708	5,031,402,317			236,477,278	245,361,328

Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	679,802	698,952	715,641	16,689
Revenue from Other Governments	1,000	1,000	569	(431)
Revenue from Other Funds	120,431	118,139	58,490	(59,649)
Total Revenues	801,233	818,091	774,700	(43,391)
Expenditures and Encumbrances				
Personal Services	139,466	139,466	132,309	7,157
Pension Contributions	67,127	80,551	76,957	3,594
Other Employee Benefits	55,005	56,887	56,887	-
Sub-Total Employee Compensation	261,598	276,904	266,153	10,751
Purchase of Services	188,881	188,881	175,855	13,026
Materials and Supplies	50,473	49,613	44,653	4,960
Equipment	6,908	7,768	5,424	2,344
Contributions, Indemnities and Taxes	7,105	9,105	6,779	2,326
Debt Service	240,268	240,268	237,249	3,019
Payments to Other Funds	71,000	71,000	71,000	-
Total Expenditures and Encumbrances	826,233	843,539	807,113	36,426
Operating Surplus (Deficit) for the Year	(25,000)	(25,448)	(32,413)	(6,965)
Fund Balance Available for Appropriation, July 1, 2017	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	25,000	25,000	32,413	7,413
Adjusted Fund Balance, July 1, 2017	25,000	25,000	32,413	7,413
Fund Balance Available for Appropriation, June 30, 2018	-	(448)	-	448

City of Philadelphia **Schedule IX**
Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	50	50	138	88
Revenue from Other Funds	37,000	37,000	30,533	(6,467)
Total Revenues	37,050	37,050	30,671	(6,379)
Expenditures and Encumbrances				
Payments to Other Funds	37,000	37,000	30,532	6,468
Total Expenditures and Encumbrances	37,000	37,000	30,532	6,468
Operating Surplus (Deficit) for the Year	50	50	139	89
Fund Balance Available for Appropriation, July 1, 2017	14,497	15,244	15,244	-
Fund Balance Available for Appropriation, June 30, 2018	14,547	15,294	15,383	89

City of Philadelphia **Schedule X**

Budgetary Comparison Schedule

County Liquid Fuels Tax Fund

For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Revenue from Other Governments	7,925	8,570	8,726	156
Total Revenues	7,925	8,570	8,726	156
Expenditures and Encumbrances				
Personal Services	3,734	3,741	3,741	-
Purchase of Services	3,247	2,494	-	2,494
Materials and Supplies	-	746	668	78
Payments to Other Funds	19	19	18	1
Total Expenditures and Encumbrances	7,000	7,000	4,427	2,573
Operating Surplus (Deficit) for the Year	925	1,570	4,299	2,729
Fund Balance Available for Appropriation, July 1, 2017	3,494	5,134	5,134	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	25	25	-	(25)
Adjusted Fund Balance, July 1, 2017	3,519	5,159	5,134	(25)
Fund Balance Available for Appropriation, June 30, 2018	4,444	6,729	9,433	2,704

City of Philadelphia
Schedule XI

Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	1	-	312	312
Revenue from Other Governments	34,281	36,310	36,730	420
Total Revenues	34,282	36,310	37,041	731
Expenditures and Encumbrances				
Personal Services	5,358	6,668	6,668	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	6,358	7,668	7,668	-
Purchase of Services	18,110	14,510	13,850	660
Materials and Supplies	8,079	7,669	5,682	1,987
Equipment	6,423	9,123	9,020	103
Payments to Other Funds	30	30	28	2
Total Expenditures and Encumbrances	39,000	39,000	36,248	2,752
Operating Surplus (Deficit) for the Year	(4,718)	(2,690)	793	3,483
Fund Balance Available for Appropriation, July 1, 2017	31,138	35,921	35,921	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	500	500	391	(109)
Adjusted Fund Balance, July 1, 2017	31,638	36,421	36,312	(109)
Fund Balance Available for Appropriation, June 30, 2018	26,920	33,731	37,105	3,374

City of Philadelphia **Schedule XII**

Budgetary Comparison Schedule

Hotel Room Rental Tax Fund

For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Taxes	70,350	70,350	69,483	(867)
Total Revenues	70,350	70,350	69,483	(867)
Expenditures and Encumbrances				
Contributions, Indemnities and Taxes	70,350	70,350	70,350	-
Total Expenditures and Encumbrances	70,350	70,350	70,350	-
Operating Surplus (Deficit) for the Year	-	-	(867)	(867)
Fund Balance Available for Appropriation, July 1, 2017	4,306	7,565	7,565	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	692	692
Adjusted Fund Balance, July 1, 2017	4,306	7,565	8,257	692
Fund Balance Available for Appropriation, June 30, 2018	4,306	7,565	7,390	(175)

City of Philadelphia

Schedule XIII

Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	437,045	437,300	435,145	(2,155)
Revenue from Other Governments	4,500	2,567	2,220	(347)
Revenue from Other Funds	1,600	1,257	1,442	185
Total Revenues	443,145	441,124	438,807	(2,317)
Expenditures and Encumbrances				
Personal Services	76,901	77,391	75,963	1,428
Pension Contributions	36,190	36,185	35,103	1,082
Other Employee Benefits	25,940	25,945	22,403	3,542
Sub-Total Employee Compensation	139,031	139,521	133,469	6,052
Purchase of Services	142,156	142,156	113,765	28,391
Materials and Supplies	10,084	10,084	7,754	2,330
Equipment	8,987	8,987	6,517	2,470
Contributions, Indemnities and Taxes	8,515	8,514	2,288	6,226
Debt Service	159,426	159,426	109,055	50,371
Payments to Other Funds	14,648	14,648	7,679	6,969
Total Expenditures and Encumbrances	482,847	483,336	380,527	102,809
Operating Surplus (Deficit) for the Year	(39,702)	(42,212)	58,280	100,492
Fund Balance Available for Appropriation, July 1, 2017	36,675	69,922	69,922	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	15,000	15,000	14,867	(133)
Adjusted Fund Balance, July 1, 2017	51,675	84,922	84,789	(133)
Fund Balance Available for Appropriation, June 30, 2018	11,973	42,710	143,069	100,359

Schedule XIV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	250	500	1,948	1,448
Revenue from Other Governments	91,929	71,679	30,829	(40,850)
Total Revenues	92,179	72,179	32,777	(39,402)
Other Sources				
Increase in Financed Reserves	-	-	(1,550)	(1,550)
Total Revenues and Other Sources	92,179	72,179	31,227	(40,952)
Expenditures and Encumbrances				
Personal Services	6,577	6,577	4,519	2,058
Pension Contributions	2,328	2,725	1,963	762
Other Employee Benefits	1,947	1,550	1,375	175
Sub-Total Employee Compensation	10,852	10,852	7,857	2,995
Purchase of Services	61,038	61,038	36,112	24,926
Materials and Supplies	209	209	90	119
Equipment	55	55	26	29
Payments to Other Funds	25	25	22	3
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	92,179	92,179	44,107	48,072
Operating Surplus (Deficit) for the Year	-	(20,000)	(12,880)	7,120
Fund Balance Available for Appropriation, July 1, 2017	-	(8,386)	(8,386)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	12,545	12,545
Prior Period Adjustments	-	8,386	-	(8,386)
Adjusted Fund Balance, July 1, 2017	-	-	4,159	4,159
Fund Balance Available for Appropriation, June 30, 2018	-	(20,000)	(8,721)	11,279

City of Philadelphia **Schedule XV**

Budgetary Comparison Schedule

Car Rental Tax Fund

For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	5,968	5,585	5,701	116
Locally Generated Non-Tax Revenue	20	10	40	30
Total Revenues	5,988	5,595	5,741	146
Expenditures and Encumbrances				
Purchase of Services	7,000	7,000	6,000	1,000
Total Expenditures and Encumbrances	7,000	7,000	6,000	1,000
Operating Surplus (Deficit) for the Year	(1,012)	(1,405)	(259)	1,146
Fund Balance Available for Appropriation, July 1, 2017	6,223	6,027	6,027	-
Fund Balance Available for Appropriation, June 30, 2018	5,211	4,622	5,768	1,146

City of Philadelphia

Schedule XVI

Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	13,730	14,140	14,153	13
Revenue from Other Funds	-	-	-	-
Total Revenues	13,730	14,140	14,153	13
Expenditures and Encumbrances				
Personal Services	1,250	1,250	275	975
Purchase of Services	26,250	26,250	16,346	9,904
Total Expenditures and Encumbrances	27,500	27,500	16,621	10,879
Operating Surplus (Deficit) for the Year	(13,770)	(13,360)	(2,468)	10,892
Fund Balance Available for Appropriation, July 1, 2017	4,176	9,003	9,003	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	12,000	12,000	8,766	(3,234)
Adjusted Fund Balance, July 1, 2017	16,176	21,003	17,769	(3,234)
Fund Balance Available for Appropriation, June 30, 2018	2,406	7,643	15,301	7,658

City of Philadelphia **Schedule XVII**

Budgetary Comparison Schedule

General Capital Improvement Funds

For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	677,097	677,524	3,339	(674,185)
Revenue from Other Governments	521,182	521,182	20,216	(500,966)
Revenue from Other Funds	27,163	27,163	31,350	4,187
Total Revenues	1,225,442	1,225,869	54,905	(1,170,964)
Other Sources (Uses)				
Increase in Unreimbursed Committments	-	-	32,699	32,699
Proceeds from Bond Sales	-	-	285,987	285,987
Total Revenues and Other Sources	1,225,442	1,225,869	373,591	(852,278)
Expenditures and Encumbrances				
Capital Outlay	1,225,442	1,225,869	272,357	953,512
Operating Surplus (Deficit) for the Year	-	-	101,234	101,234
Fund Balance Available for Appropriation, July 1, 2017	-	-	(154,645)	(154,645)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	12,550	12,550
Adjusted Fund Balance, July 1, 2017	-	-	(142,095)	(142,095)
Fund Balance Available for Appropriation, June 30, 2018	-	-	(40,861)	(40,861)

City of Philadelphia
Schedule XVIII

Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2018

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Tax Revenue	160,000	147,046	144,803	(2,243)
Total Revenues	160,000	147,046	144,803	(2,243)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(414)	(414)
Total Revenues and Other Sources	160,000	147,046	144,389	(2,657)
Expenditures and Encumbrances				
Personal Services	4,506	4,506	2,035	2,471
Pension Contributions	42	42	-	42
Other Employee Benefits	226	226	-	226
Sub-Total Employee Compensation	4,774	4,774	2,035	2,739
Purchase of Services	155,691	155,691	138,535	17,156
Materials and Supplies	27	49	49	-
Equipment	535	513	513	-
Payments to Other Funds	500	500	500	-
Total Expenditures and Encumbrances	161,527	161,527	141,632	19,895
Operating Surplus (Deficit) for the Year	(1,527)	(14,481)	2,757	17,238
Fund Balance Available for Appropriation, July 1, 2017	3,196	13,446	13,446	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	2,000	1,181	(819)
Adjusted Fund Balance, July 1, 2017	3,196	15,446	14,627	(819)
Fund Balance Available for Appropriation, June 30, 2018	1,669	965	17,384	16,419

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, 2018 (with comparative actual amounts for the Fiscal Year Ended June 30, 2017)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2018 Actual	Positive (Negative)	FY 2017 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	602,117	612,206	611,346	(860)	542,940	68,406
Prior Years	49,334	38,332	39,090	758	44,159	(5,069)
Total Real Property Tax	651,451	650,538	650,436	(102)	587,099	63,337
Wage and Earnings Taxes:						
Current	1,457,376	1,527,590	1,536,868	9,278	1,440,605	96,263
Prior Years	7,224	8,250	5,389	(2,861)	8,256	(2,867)
Total Wage and Earnings Taxes	1,464,600	1,535,840	1,542,257	6,417	1,448,861	93,396
Business Taxes:						
Business Income & Receipts Taxes:						
Current	447,386	378,525	428,861	50,336	396,635	32,226
Prior Years	42,500	35,000	17,210	(17,790)	20,891	(3,681)
Total Business Income & Receipts Taxes	489,886	413,525	446,071	32,546	417,526	28,545
Net Profits Tax:						
Current	26,622	27,507	27,608	101	25,330	2,278
Prior Years	3,116	2,500	4,689	2,189	(3,007)	7,696
Total Net Profits Tax	29,738	30,007	32,297	2,290	22,323	9,974
Total Business Taxes	519,624	443,532	478,368	34,836	439,849	38,519
Other Taxes:						
Sales Tax	198,083	204,452	198,405	(6,047)	188,355	10,050
Amusement Tax	22,148	21,287	22,970	1,683	20,577	2,393
Beverage Tax	92,412	78,826	77,421	(1,405)	39,525	37,896
Real Property Transfer Tax	242,921	313,173	331,517	18,344	247,290	84,227
Parking Lot Tax	103,706	98,017	96,473	(1,544)	96,105	368
Smokeless Tobacco	779	779	976	197	880	96
Miscellaneous Taxes	2,608	2,983	3,006	23	2,881	125
Total Other Taxes	662,657	719,517	730,768	11,251	595,613	135,155
Total Taxes	3,298,332	3,349,427	3,401,829	52,402	3,071,422	330,407
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	6,917	3,432	3,108	(324)	6,118	(3,010)
Licenses and Permits	61,881	62,176	64,382	2,206	60,096	4,286
Fines, Forfeits, Penalties, Confiscated Money and Property	18,392	18,249	15,344	(2,905)	18,416	(3,072)
Interest Income	2,569	3,569	12,471	8,902	5,538	6,933
Service Charges and Fees	150,894	156,303	154,955	(1,348)	154,028	927
Other	66,405	64,519	70,384	5,865	65,285	5,099
Total Locally Generated Non-Tax Revenue	307,058	308,248	320,644	12,396	309,481	11,163
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	35,576	31,829	30,380	(1,449)	41,645	(11,265)
Commonwealth of Pennsylvania:						
Grants and Other Payments	221,391	219,352	225,714	6,362	210,676	15,038
Other Governmental Units	478,557	502,003	522,059	20,056	464,908	57,151
Total Revenue from Other Governments	735,524	753,184	778,153	24,969	717,229	60,924
Revenue from Other Funds	64,191	63,570	55,436	(8,134)	60,072	(4,636)
Total Revenues	4,405,105	4,474,429	4,556,062	81,633	4,158,204	397,858

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, 2018 (with comparative actual amounts for the Fiscal Year Ended June 30, 2017)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2018 Actual	Positive (Negative)	FY 2017 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	17,708	18,140	16,959	1,181	15,605	1,354
Mayor's Office:						
Mayor's Office	4,634	4,636	4,098	538	4,817	(719)
Scholarships	200	200	171	29	190	(19)
Mural Arts Program	1,925	1,925	1,921	4	1,674	247
Labor Relations	1,617	1,617	1,446	171	937	509
Chief Administratvie Office	5,754	8,254	5,894	2,360	5,438	456
Community Schools & Pre-K	42,552	42,552	23,073	19,479	13,876	9,197
Community Services	1,675	2,178	2,147	31	679	1,468
Inspector General	1,648	1,678	1,487	191	1,483	4
Sustainability	969	969	908	61	801	107
Office of Information Technology	83,738	83,813	76,346	7,467	76,913	(567)
Office of Property Assessment	13,924	14,124	13,435	689	12,694	741
Law	15,743	15,743	14,801	942	16,466	(1,665)
Board of Ethics	1,095	1,095	974	121	951	23
City Planning Commission	-	-	-	-	2,514	(2,514)
Commission on Human Relations	2,204	2,204	2,080	124	2,004	76
Arts & Culture	4,180	4,175	4,133	42	4,139	(6)
Board of Revision of Taxes	1,049	1,049	953	96	1,025	(72)
Department of Planning & Development	8,196	8,961	8,216	745	977	7,239
Total General Government	208,811	213,313	179,042	34,271	163,183	15,859
Operation of Service Departments						
Housing	-	-	-	-	3,373	(3,373)
Managing Director	88,700	92,313	92,087	226	85,191	6,896
Police	652,106	713,268	712,745	523	666,276	46,469
Streets	137,332	153,258	152,551	707	142,280	10,271
Fire	247,546	268,670	268,563	107	236,275	32,288
Public Health	136,362	136,399	135,237	1,162	132,974	2,263
Office-Behavioral Health/Mental Retardation	14,219	14,702	14,684	18	14,132	552
Parks and Recreation	61,733	64,179	64,066	113	61,134	2,932
Atwater Kent Museum	302	307	307	-	298	9
Public Property	193,803	197,915	191,157	6,758	192,772	(1,615)
Department of Human Services	109,036	109,048	108,623	425	103,047	5,576
Philadelphia Prisons	258,958	265,217	258,968	6,249	260,892	(1,924)
Office of Supportive Housing	48,248	48,381	48,017	364	46,785	1,232
Office of Fleet Management	63,542	65,640	64,424	1,216	60,819	3,605
Licenses and Inspections	35,755	35,940	35,400	540	32,913	2,487
Board of L & I Review	172	172	153	19	158	(5)
Board of Building Standards	75	75	67	8	70	(3)
Zoning Board of Adjustment	-	-	-	-	344	(344)
Records	4,879	4,879	4,430	449	4,439	(9)
Philadelphia Historical Commission	-	-	-	-	401	(401)
Art Museum	2,550	2,551	2,551	-	2,550	1
Philadelphia Free Library	40,938	41,901	41,795	106	40,471	1,324
Total Operations of Service Departments	2,096,256	2,214,815	2,195,825	18,990	2,087,594	108,231
Financial Management						
Office of Director of Finance	62,483	95,392	43,766	51,626	11,356	32,410
Department of Revenue	30,493	30,496	29,308	1,188	29,160	148
Sinking Fund Commission	296,019	296,019	265,504	30,515	238,367	27,137
Procurement	4,932	4,932	4,790	142	4,804	(14)
City Treasurer	1,204	1,204	1,177	27	1,093	84
Audit of City Operations	8,949	8,949	8,762	187	8,477	285
Total Financial Management	404,080	436,992	353,307	83,685	293,257	60,050

Amounts in thousands of USD

	Budgeted Amounts Original	Budgeted Amounts Final	FY 2018 Actual	Final Budget to Actual Positive (Negative)	FY 2017 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,307,798	1,308,349	1,313,982	(5,633)	1,241,028	72,954
Community College of Philadelphia	30,409	30,409	30,409	-	29,909	500
Hero Award	25	25	2	23	15	(13)
Refunds	250	250	10	240	-	10
Indemnities	44,920	114	-	114	-	-
Office of Risk Management	3,273	3,202	3,094	108	3,075	19
Witness Fees	172	172	86	86	108	(22)
Contribution to School District	104,348	104,348	104,348	-	104,264	84
Total City-Wide Under Director of Finance	1,491,195	1,446,869	1,451,931	(5,062)	1,378,399	73,532
Promotion and Public Relations						
City Representative	1,217	1,217	1,117	100	859	258
Commerce	23,462	23,690	23,436	254	23,453	(17)
Total Promotion and Public Relations	24,679	24,907	24,553	354	24,312	241
Personnel						
Civic Service Commission	20,197	20,393	193	20,200	191	2
Personnel Director	6,012	6,009	5,627	382	6,189	(562)
Total Personnel	26,209	26,402	5,820	20,582	6,380	(560)
Administration of Justice						
Register of Wills	4,244	4,385	4,127	258	3,916	211
District Attorney	37,810	38,328	35,520	2,808	36,258	(738)
Sheriff	23,072	28,432	28,432	-	26,388	2,044
First Judicial District	109,900	112,678	113,018	(340)	107,860	5,158
Total Administration of Justice	175,026	183,823	181,097	2,726	174,422	6,675
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,542	1,542	1,154	388	1,261	(107)
Conduct of Elections						
City Commissioners	9,911	10,179	10,125	54	10,984	(859)
Total Obligations	4,437,709	4,558,842	4,402,854	155,988	4,139,792	263,062
Operating Surplus (Deficit) for the Year	(32,604)	(84,413)	153,208	237,621	18,412	134,796

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, 2018 (with comparative actual amounts for the Fiscal Year Ended June 30, 2017)

	Budgeted Amounts Original	Budgeted Amounts Final	FY 2018 Actual	Final Budget to Actual Positive (Negative)	FY 2017 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	589,983	589,983	595,768	5,785	577,854	17,914
Sales and Charges - Prior Years	34,876	34,796	39,426	4,630	38,075	1,351
Fire Service Connections	3,474	3,474	3,169	(305)	2,872	297
Surcharges	4,101	4,101	5,628	1,527	5,911	(283)
Fines and Penalties	234	234	312	78	501	(189)
Miscellaneous Charges	2,001	2,029	2,103	74	2,698	(595)
Charges to Other Municipalities	37,445	37,445	37,428	(17)	34,652	2,776
Licenses and Permits	2,520	2,520	5,525	3,005	4,648	877
Interest Income	450	450	1,509	1,059	921	588
Fleet Management - Sale of Vehicles & Equipment	150	300	85	(215)	245	(160)
Contributions from Sinking Fund Reserve	-	19,000	19,000	-	11,829	7,171
Reimbursement of Expenditures	393	418	789	371	266	523
Repair Loan Program	3,300	3,300	4,040	740	4,137	(97)
Other	875	902	859	(43)	906	(47)
Total Locally Generated Non-Tax Revenue	679,802	698,952	715,641	16,689	685,515	30,126
Revenue from Other Governments						
State	1,000	1,000	569	(431)	615	(46)
Federal	-	-	-	-	793	(793)
Total Revenue from Other Governments	1,000	1,000	569	(431)	1,408	(839)
Revenue from Other Funds	120,431	118,139	58,490	(59,649)	38,285	20,205
Total Revenues	801,233	818,091	774,700	(43,391)	725,208	49,492
Obligations						
Mayor's Office of Information Services	29,001	29,001	22,069	6,932	20,133	1,936
Managing Director's Office	138	138	138	-	138	-
Public Property	4,257	4,257	4,257	-	4,043	214
Office of Fleet Management	8,826	8,826	7,414	1,412	7,756	(342)
Water Department	394,477	400,756	383,132	17,624	360,739	22,393
Office of the Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	67,127	80,551	76,957	3,594	68,915	8,042
Other Employee Benefits	55,005	56,887	56,887	-	52,652	4,235
Contributions, Indemnities and Taxes	6,500	2,221	-	2,221	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Department of Revenue	16,241	16,241	15,469	772	16,634	(1,165)
Sinking Fund Commission	240,267	240,267	237,248	3,019	215,898	21,350
Procurement Department	89	89	84	5	85	(1)
Law	3,241	3,241	2,879	362	2,572	307
Mayor's Office of Sustainability	94	94	94	-	93	1
Water, Sewer and Stormwater Rate Board	970	970	485	485	100	385
Total Obligations	826,233	843,539	807,113	36,426	749,758	57,355
Operating Surplus (Deficit) for the Year	(25,000)	(25,448)	(32,413)	(6,965)	(24,550)	(7,863)

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, 2018 (with comparative actual amounts for the Fiscal Year Ended June 30, 2017)

	Budgeted Amounts Original	Budgeted Amounts Final	FY 2018 Actual	Final Budget to Actual Positive (Negative)	FY 2017 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	56,500	51,982	51,848	(134)	48,908	2,940
Space Rentals	144,000	153,702	146,369	(7,333)	148,927	(2,558)
Landing Fees	98,000	92,886	77,218	(15,668)	77,918	(700)
Parking	30,000	40,000	66,211	26,211	1,337	64,874
Car Rentals	22,000	22,520	18,985	(3,535)	19,009	(24)
Payment in Aid - Terminal Building	-	-	-	-	-	-
Interest Earnings	1,000	1,000	2,197	1,197	1,290	907
Sale of Utilities	3,500	4,135	2,543	(1,592)	2,954	(411)
Passenger Facility Charge	31,500	31,500	31,201	(299)	33,693	(2,492)
Overseas Terminal Facility Charges	-	-	13	13	62	(49)
International Terminal Charge	39,500	34,871	35,115	244	29,979	5,136
Other	11,045	4,704	3,445	(1,259)	3,522	(77)
Total Locally Generated Non-Tax Revenue	437,045	437,300	435,145	(2,155)	367,599	67,546
Revenue from Other Governments						
State	250	-	-	-	-	-
Federal	4,250	2,567	2,220	(347)	2,655	(435)
Total Revenue from Other Governments	4,500	2,567	2,220	(347)	2,655	(435)
Revenue from Other Funds	1,600	1,257	1,442	185	1,166	276
Total Revenue	443,145	441,124	438,807	(2,317)	371,420	67,387
Obligations						
Mayor's Office of Information Services	2,083	2,083	1,122	961	8,144	(7,022)
Managing Director	-	-	-	-	-	-
Police	15,892	16,815	16,592	223	15,694	898
Fire	7,802	7,813	7,790	23	7,153	637
Public Property	26,900	26,900	19,640	7,260	20,710	(1,070)
Office of Fleet Management	8,289	8,289	6,151	2,138	6,983	(832)
Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	36,190	36,185	35,103	1,082	35,352	(249)
Other Employee Benefits	25,940	25,945	22,724	3,221	22,897	(173)
Purchase of Services	4,146	4,146	2,507	1,639	2,577	(70)
Contributions, Indemnities and Taxes	2,512	1,395	-	1,395	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Sinking Fund Commission	159,426	159,426	109,055	50,371	122,204	(13,149)
Procurement	-	-	-	-	-	-
Commerce	192,009	192,681	158,275	34,406	141,401	16,874
Law	1,564	1,564	1,474	90	1,538	(64)
Mayor's Office of Transportation	-	-	-	-	-	-
Mayor's Office of Sustainability	94	94	94	-	93	1
Total Obligations	482,847	483,336	380,527	102,809	384,746	(4,219)
Operating Surplus (Deficit) for the Year	(39,702)	(42,212)	58,280	100,492	(13,326)	71,606


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
Net Position by Component
For the Fiscal Years 2009 Through 2018

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	(5.8)	(59.3)	(47.5)	83.9	232.5	176.8	1,040.8	955.2	1,006.6	645.2
Restricted	833.8	705.1	789.5	621.8	586.8	630.3	576.5	625.1	553.8	793.2
Unrestricted	(2,120.6)	(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)
Total Governmental Activities Net Position	(1,292.6)	(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)
Business-Type Activities										
Net Investment in Capital Assets	750.6	831.8	845.1	887.8	982.5	1,007.4	1,088.1	1,323.7	1,330.5	1,402.0
Restricted	511.2	489.3	550.6	591.8	628.9	685.5	766.0	650.5	692.5	762.6
Unrestricted	269.8	257.3	234.3	257.9	173.4	200.7	(278.5)	(279.3)	(251.9)	(423.0)
Total Business-Type Activities Net Position	1,531.6	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
Primary Government										
Net Investment in Capital Assets	744.8	772.5	797.6	971.7	1,215.0	1,184.2	2,128.9	2,278.9	2,337.1	2,047.2
Restricted	1,345.0	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
Unrestricted	(1,850.8)	(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)
Total Primary Government Net Position	239.0	(197.7)	(123.5)	(35.0)	15.2	(71.1)	(4,687.7)	(4,629.2)	(4,435.8)	(5,529.9)

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2009 Through 2018

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
Economic Development	116.0	145.0	92.2	96.5	94.2	95.1	97.4	115.3	111.4	113.7
Transportation:										
Streets & Highways	119.1	129.4	136.3	115.6	112.9	143.9	122.4	136.8	122.8	148.1
Mass Transit	90.5	82.7	75.2	74.0	71.0	72.1	76.2	76.1	84.3	86.4
Judiciary and Law Enforcement:										
Police	985.6	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
Prisons	339.1	343.8	340.4	336.7	342.2	371.2	353.0	381.6	387.6	386.4
Courts	318.7	312.0	315.0	326.2	318.1	338.5	323.4	339.6	349.7	344.8
Conservation of Health:										
Emergency Medical Services	36.9	47.8	53.3	48.4	49.7	69.3	66.4	66.3	77.2	69.7
Health Services	1,701.5	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
Housing and Neighborhood Development	149.1	131.3	126.1	137.7	102.9	80.3	80.9	80.1	81.1	94.3
Cultural and Recreational										
Recreation	77.3	77.0	98.7	97.3	102.3	113.1	113.1	116.6	120.3	125.7
Parks	37.7	37.9	14.0	9.0	8.6	8.2	10.6	8.4	9.5	6.9
Libraries and Museums	92.8	79.0	75.7	80.8	76.1	84.5	84.3	88.8	90.4	96.4
Improvements to General Welfare:										
Social Services	756.3	718.8	718.4	675.5	625.3	657.5	687.8	688.7	733.8	732.0
Education	67.2	65.4	64.0	74.3	94.4	167.5	126.0	134.5	134.2	134.7
Inspections and Demolitions	27.8	23.4	30.1	26.5	38.0	43.3	41.7	65.3	45.4	54.3
Service to Property:										
Sanitation	137.8	142.7	143.0	153.2	136.7	153.1	151.1	157.0	161.1	160.0
Fire	278.6	266.0	285.9	292.2	296.8	386.6	350.8	370.7	373.4	410.6
General Management and Support	684.1	683.3	561.0	678.4	743.4	538.0	605.3	648.1	693.3	729.1
Interest on Long Term Debt	214.6	174.9	136.3	112.1	161.8	159.0	166.2	158.2	151.1	155.7
Total Governmental Activities Expenses	6,230.7	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
Business-Type Activities:										
Water and Sewer	530.8	502.5	520.2	490.8	513.4	543.5	550.2	569.0	601.8	631.1
Aviation	326.2	330.1	336.0	343.1	358.9	376.5	374.3	400.2	419.9	442.9
Industrial and Commercial Development	3.0	0.1	1.9	-	0.6	-	-	-	16.5	0.5
Total Business-Type Activities Expenses	860.0	832.7	858.1	833.9	872.9	920.0	924.5	969.2	1,038.2	1,074.5
Total Primary Government Expenses	7,090.7	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
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	0.3	0.1	-	1.1	2.6	0.1	0.1	0.1	-	-
Transportation:										
Streets & Highways	2.8	4.4	5.1	5.2	5.3	5.2	7.3	5.8	7.1	6.6
Mass Transit	0.4	0.5	0.6	1.3	1.9	1.9	2.1	2.2	2.2	2.5
Judiciary and Law Enforcement:										
Police	5.0	3.3	3.5	5.5	6.3	4.5	5.2	5.1	8.2	6.8
Prisons	0.4	0.5	0.5	0.9	0.7	0.4	0.4	0.3	0.3	0.5
Courts	51.8	53.4	45.6	60.6	59.9	50.3	51.6	50.3	53.6	56.5
Conservation of Health:										
Emergency Medical Services	37.5	36.8	34.7	27.5	33.3	36.3	36.2	45.7	65.0	51.9
Health Services	14.4	16.2	16.7	14.8	16.7	18.9	14.4	14.1	30.3	27.6
Housing and Neighborhood Development	31.3	20.8	23.1	28.6	23.5	16.7	20.1	18.1	27.2	21.0
Cultural and Recreational:										
Recreation	3.2	(0.1)	2.8	2.2	3.8	2.8	3.7	4.6	3.4	5.8
Parks	0.6	0.9	5.0	4.8	3.3	2.2	1.1	1.0	3.6	1.8
Libraries and Museums	1.3	0.9	1.8	1.2	1.0	2.0	1.1	1.2	1.4	1.9

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2009 Through 2018

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Improvements to General Welfare:										
Social Services	7.6	14.4	6.8	5.2	8.3	5.6	4.4	1.2	1.4	7.3
Education	1.1	-	-	-	0.1	-	-	-	-	-
Inspections and Demolitions	40.3	43.9	45.5	50.0	53.9	50.1	52.4	54.1	59.4	64.8
Service to Property:										
Sanitation	2.9	2.0	11.6	15.9	16.2	35.5	24.9	16.5	13.8	14.1
Fire	0.7	0.3	0.5	0.3	0.9	0.3	2.9	0.3	0.6	0.4
General Management and Support	131.9	127.9	136.6	139.7	134.2	177.7	150.2	158.3	159.5	160.1
Interest on Long Term Debt	-	-	9.2	0.3	-	0.2	0.2	0.2	-	-
Operating Grants and Contributions	2,438.1	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
Capital Grants and Contributions	35.0	46.9	32.1	43.2	48.9	35.3	60.1	61.8	22.2	27.3
Total Governmental Activities Program Revenues	2,806.6	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
Business-Type Activities:										
Charges for Services:										
Water and Sewer	499.7	552.4	558.5	598.3	608.7	638.6	675.9	670.0	714.7	726.4
Aviation	251.7	240.0	258.1	263.2	291.4	315.4	322.4	433.7	431.9	471.1
Industrial and Commercial Development	0.5	0.3	0.5	0.4	0.4	0.4	0.5	0.5	19.9	0.1
Operating Grants and Contributions	2.6	6.1	4.8	3.5	2.3	1.4	0.9	0.9	1.3	0.6
Capital Grants and Contributions	109.4	90.5	105.9	91.6	58.2	93.6	161.3	26.8	10.6	29.0
Total Business-Type Activities Program Revenues	863.9	889.3	927.8	957.0	961.0	1,049.4	1,161.0	1,131.9	1,178.4	1,227.2
Total Primary Government Revenues	3,670.5	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
Net (Expense)/Revenue										
Governmental Activities	(3,424.1)	(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)
Business-Type Activities	3.9	56.6	69.7	123.1	88.1	129.4	236.5	162.7	140.2	152.7
Total Primary Government Net Expense	(3,420.2)	(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)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	409.2	400.8	506.6	500.8	553.8	530.2	551.3	550.2	578.7	649.0
Wage & Earnings Taxes	1,465.5	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
Business Taxes	407.6	385.2	364.2	399.2	452.4	469.2	453.4	505.6	440.2	456.1
Other Taxes	435.0	578.3	645.8	663.6	706.0	735.8	666.7	733.5	817.6	947.7
Unrestricted Grants & Contributions	107.8	171.4	173.8	223.2	187.4	229.5	185.1	185.4	184.5	191.6
Interest & Investment Earnings	46.1	25.5	35.8	33.3	17.9	21.7	24.1	28.0	27.4	49.6
Special Items	-	-	-	-	-	-	-	-	-	(38.4)
Transfers	4.2	28.3	24.9	27.5	21.4	28.3	30.2	31.6	28.5	33.3
Total Governmental Activities	2,875.4	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
Business-Type Activities:										
Interest & Investment Earnings	22.9	7.7	6.9	9.0	12.7	5.3	4.1	8.3	11.4	23.6
Unrestricted Grants & Contributions	-	-	-	2.9	42.2	2.5	1.9	1.9	2.5	3.3
Transfers	(4.2)	(28.3)	(24.9)	(27.5)	(21.4)	(28.3)	(30.3)	(31.6)	(28.5)	(33.3)
Total Business-Type Activities	18.7	(20.6)	(18.0)	(15.6)	33.5	(20.5)	(24.3)	(21.4)	(14.6)	(6.2)
Total Primary Government	2,894.1	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
Change in Net Position										
Governmental Activities	(548.7)	(436.1)	22.6	(19.0)	17.6	(195.2)	121.8	(60.7)	117.3	243.8
Business-Type Activities	22.6	36.0	51.7	107.5	121.6	108.9	212.2	141.3	125.6	146.5
Total Primary Government	(526.1)	(400.1)	74.3	88.5	139.2	(86.3)	334.0	80.6	242.9	390.3

City of Philadelphia **Table 3**
Fund Balances
Governmental Funds
For the Fiscal Years 2009 Through 2018

Amounts in millions of USD

(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	4.7	2.3	2.3	2.3	2.3	2.0	2.0	1.7	1.7	-
Stadium Financing	1.7	0.6	0.3	0.5	2.1	3.8	4.3	0.6	0.6	-
Cultural & Commercial Corridor Project	89.8	30.8	19.2	15.3	12.2	11.6	10.6	7.4	2.7	1.5
Long Term Loan	-	-	-	-	79.7	68.2	56.7	44.8	33.1	21.8
Affordable Housing Project	-	-	-	-	-	-	-	-	-	44.3
Art Museum Project	-	-	-	-	-	-	-	-	-	11.4
Committed to:										
Encumbrances	102.8	-	-	-	-	-	-	-	-	-
General Fund	-	87.9	-	-	-	-	-	-	-	-
Assigned to:	-	-	-	70.5	98.0	103.1	81.9	78.0	128.4	127.0
Unassigned:	(274.6)	(251.8)	(45.7)	-	90.0	23.0	-	-	23.7	195.0
Total General Fund:	(75.6)	(130.2)	(23.9)	88.6	284.4	211.7	155.5	132.5	190.1	401.0
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
Restricted for:										
Behavioral Health	188.7	171.0	250.1	230.7	233.7	188.6	199.6	220.1	262.3	279.4
Neighborhood Revitalization	74.6	73.1	61.3	51.6	34.2	30.6	29.6	0.0	0.1	0.2
Public Safety Emergency Phone System	38.8	40.4	36.9	29.6	24.5	27.5	35.2	40.8	31.5	31.2
Economic Development	-	-	6.6	10.3	7.2	6.8	11.8	12.3	13.7	13.9
Intergovernmental Financing	12.1	7.9	21.1	21.7	33.9	34.0	28.3	25.5	25.2	24.9
Intergovernmentally Financed Pgms			24.5	18.9	-	-	-	-	-	-
Streets & Highways	16.8	16.8	18.3	23.2	23.9	26.2	31.9	37.1	46.0	57.1
Housing & Neighborhood Development	-	-	10.5	10.5	15.0	16.6	18.5	20.8	30.6	33.3
Health Services	4.0	10.8	8.8	9.5	15.2	10.1	11.0	11.2	13.4	17.4
Debt Service	79.1	76.6	82.8	82.4	81.5	83.1	81.5	81.6	72.4	62.9
Capital Improvements	196.1	152.2	267.7	128.5	29.2	191.6	70.2	133.1	24.8	161.0
Trust Purposes	6.4	4.7	8.1	8.3	8.9	11.8	12.3	10.2	10.2	9.4
Parks & Recreation	-	-	0.3	0.4	0.4	0.4	0.6	0.8	0.9	1.2
Libraries & Museums	-	-	0.1	0.1	0.1	0.1	0.0	3.0	3.3	3.1
Stadium Financing	-	-	6.3	6.4	6.8	7.3	6.7	6.4	6.0	5.8
Committed to:										
Capital Improvements	62.5	37.9	-	-	-	-	-	-	-	-
Economic Development	-	6.5	-	-	-	-	-	-	-	-
Housing & Neighborhood Development	18.6	15.2	-	-	-	-	-	-	-	-
Debt Service	5.6	7.9	-	-	-	-	-	-	-	-
Trust Purposes	8.0	7.7	-	-	-	-	-	-	-	-
Intergovernmental Financing	62.6	36.2	-	-	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-
Prisons	-	-	3.6	4.2	4.4	3.5	3.2	2.9	3.4	3.5
Parks & Recreation	-	-	0.5	0.9	0.7	0.8	0.9	1.7	1.3	1.1
Assigned to:										
Behavioral Health	-	42.5	-	-	-	-	-	-	-	-
PICA Rebate Fund	8.0	7.5	-	-	-	-	-	-	-	-
PMA	0.2	0.2	-	-	-	-	-	-	-	-
Unassigned:										
Community Behavioral Health	(5.4)	-	-	-	-	-	-	-	-	-
Housing & Neighborhood Dev	(5.0)	(4.0)	(4.0)	(6.5)	(7.2)	(7.9)	(7.1)	(5.3)	(8.4)	(8.7)
Parks & Recreation	-	-	-	-	-	-	(0.1)	-	-	-
Grants Revenue Fund	(36.7)	(39.0)	(34.3)	(175.1)	(217.1)	(273.3)	(213.0)	(322.5)	(294.3)	(288.5)
Capital Improvement	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	734.9	672.1	771.7	458.1	298.1	361.0	324.7	282.7	245.9	411.6

[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 2009 Through 2018

Amounts in millions of USD

(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax Revenue	2,705.2	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
Locally Generated Non-Tax Revenue	349.3	302.7	370.6	336.5	348.6	387.1	376.6	367.3	400.5	417.1
Revenue from Other Governments	2,564.9	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
Other Revenues	49.6	33.1	25.8	27.5	27.9	20.2	16.9	19.6	18.6	20.7
Total Revenues	5,669.0	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
Expenditures										
Current Operating:										
Economic Development	107.0	135.1	82.6	88.9	85.9	83.7	82.5	101.1	100.5	104.2
Transportation:										
Streets & Highways	89.9	91.1	87.4	75.6	81.6	98.1	96.2	105.1	98.7	108.4
Mass Transit	63.7	65.2	67.1	67.7	66.5	67.5	71.7	76.1	79.9	82.0
Judiciary and Law Enforcement										
Police	933.9	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
Prisons	326.9	315.2	315.9	318.2	338.7	346.3	343.9	365.1	372.6	375.1
Courts	310.5	288.1	294.9	312.3	309.2	317.9	321.5	329.9	339.6	339.5
Conservation of Health:										
Emergency Medical Services	36.2	45.0	50.7	46.7	50.0	65.8	66.1	64.9	75.8	68.7
Health Services	1,695.0	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
Housing and Neighborhood Development	148.4	131.2	126.1	133.8	102.8	80.3	80.9	80.1	81.4	94.3
Cultural and Recreational										
Recreation	65.1	58.4	82.9	85.9	90.3	98.6	103.9	104.8	107.1	112.3
Parks	31.8	26.9	5.8	6.1	3.9	1.2	1.8	1.5	3.4	2.9
Libraries and Museums	81.0	68.8	68.7	71.9	72.0	74.9	79.1	81.4	84.4	91.9
Improvements to General Welfare:										
Social Services	743.1	699.7	701.8	674.3	624.3	655.3	687.8	687.1	731.7	730.6
Education	67.2	65.4	64.0	74.3	94.4	167.5	126.0	134.5	134.2	134.7
Inspections and Demolitions	33.1	27.3	34.8	32.2	45.8	40.8	41.5	64.0	44.5	53.1
Service to Property:										
Sanitation	134.6	130.6	133.9	146.2	137.2	144.8	146.9	152.4	154.3	153.5
Fire	266.9	237.6	258.1	267.8	295.9	344.2	346.4	355.0	353.5	399.4
General Management and Support	693.8	615.0	568.5	619.1	622.8	646.7	662.3	686.4	718.1	789.9
Capital Outlay	126.9	148.9	134.9	202.0	161.1	140.1	189.7	206.1	145.5	455.7
Debt Service:										
Principal	87.6	89.7	91.4	103.2	114.1	120.3	339.8	139.5	145.0	152.6
Interest	105.7	96.7	105.6	105.2	112.2	118.0	120.7	107.5	106.2	112.7
Bond Issuance Cost	8.5	23.5	2.2	1.6	4.4	5.0	7.2	3.3	3.2	3.9
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-
Total Expenditures	6,156.8	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
Excess of Revenues Over (Under) Expenditures	(487.8)	(207.1)	9.8	(243.1)	(74.2)	(345.1)	(369.5)	(316.6)	(11.1)	(268.7)
Other Financing Sources (Uses)										
Issuance of Debt	262.9	207.0	139.1	12.6	299.8	293.8	30.0	191.6	-	314.1
Issuance of Refunding Debt	354.9	337.0	114.6	112.6	231.2	363.6	195.7	234.2	346.1	108.3
Bond Issuance Premium	26.7	24.3	5.0	16.6	0.8	31.4	21.3	53.9	40.7	60.2
Proceeds from Lease & Service Agreements	(3.1)	(1.0)	28.1	-	(252.7)	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	-	-	252.5
Payment to Refunded Bonds Escrow Agent	(326.9)	(504.0)	(117.6)	(127.3)	(190.5)	(382.2)	-	(259.6)	(383.5)	(123.1)
Transfers In	574.5	558.1	583.1	600.8	613.1	616.3	661.9	686.3	731.4	802.5
Transfers Out	(570.3)	(529.7)	(558.1)	(573.3)	(591.7)	(587.9)	(631.6)	(654.7)	(702.9)	(769.2)
Total Other Financing Sources (Uses)	318.7	91.7	194.2	42.0	110.0	335.0	277.3	251.7	31.8	645.3
Net Change in Fund Balances	(169.1)	(115.4)	204.0	(201.1)	35.8	(10.1)	(92.2)	(64.9)	20.7	376.6
Debt Service as a Percentage of Non-capital Expenditures	3.2%	3.4%	3.5%	3.6%	3.9%	3.9%	7.4%	3.9%	3.9%	3.9%

[1.0] Effective April 15, 2003, the City implemented a change to the basis on which the Business Income and Receipts Tax is collected requiring an estimated payment applicable to the next year's tax liability. $166.9 million of these estimated tax payments were deferred in the general fund in FY2013 because the underlying events had not occured.

City of Philadelphia **Table 5**

Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2009 through 2018

Amounts in millions of USD

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Additions:										
Contributions:										
Employee Contributions	54.0	51.6	52.7	50.0	49.6	53.7	58.7	67.1	73.6	83.3
Employer's:										
City of Philadelphia	440.0	297.4	455.8	539.8	763.7	533.4	556.1	629.4	678.8	756.1
Quasi-Governmental Agencies	15.4	15.1	14.2	16.2	18.1	19.8	21.1	30.8	27.4	25.9
Total Employer's Contributions	455.4	312.5	470.1	556.0	781.8	553.2	577.2	660.2	706.2	782.0
Total Contributions	509.4	364.1	522.8	606.0	831.4	606.9	635.9	727.3	779.8	865.3
Interest & Dividends	75.6	70.5	79.5	86.2	122.9	102.2	98.4	101.5	108.5	127.9
Net Gain (Decline) in Fair Value of Investments	(945.6)	381.2	618.5	(57.7)	213.9	585.4	(76.8)	(239.8)	462.9	318.2
(Less) Investment Expenses	0.0	0.0	0.0	(13.3)	(12.2)	(10.2)	(9.8)	(9.1)	(8.0)	(7.5)
Net Securities Lending Revenue	5.7	1.9	1.5	2.1	3.0	4.2	2.2	1.9	1.8	1.8
Securities Lending Unrealized Loss	0.0	0.0	0.0	(1.9)	118.0	0.0	0.0	0.0	0.0	0.0
(Less) Securities Lending Expenses	0.0	0.0	0.0	(0.9)	(0.3)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)
Net Investment Income (Loss)	(864.3)	453.6	699.5	14.5	445.3	681.0	13.7	(145.8)	564.9	440.1
Miscellaneous Operating Revenue	1.0	0.7	1.4	0.0	0.5	0.5	0.1	0.1	1.8	0.2
Total Additions	(353.9)	818.4	1,223.7	620.5	1,277.2	1,288.4	649.7	581.6	1,346.5	1,305.6
Deductions:										
Pension Benefits	681.1	680.1	681.9	706.2	740.7	802.6	876.4	882.0	813.3	819.8
Refunds to Members	4.8	4.5	5.1	6.5	5.7	6.0	5.3	7.4	8.2	8.5
Administrative Costs	8.4	8.1	8.0	0.0	8.2	8.3	10.4	8.4	8.8	10.0
Other Operating Expenses	0.0	0.0	0.0	15.2	0.2	0.0	0.1	0.1	0.1	0.1
Total Deductions	694.3	692.7	695.0	727.9	754.8	816.9	892.1	897.9	830.4	838.4
Net Increase (Decrease)	(1,048.2)	125.7	528.7	(107.4)	522.4	471.5	(242.4)	(316.3)	516.1	467.2
Net Assets: Adjusted Opening	4,424.0	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
Closing	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
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1383.30%	1443.95%	1432.56%	1623.45%	1687.24%	1682.60%	1640.28%	1477.39%	1243.58%	1095.99%
Closing Net Assets	20.18%	19.42%	16.92%	18.00%	16.66%	16.32%	18.75%	20.24%	16.69%	15.35%
Coverage of Additions over Deductions	-50.97%	118.15%	176.07%	85.25%	169.21%	157.72%	72.83%	64.77%	162.15%	155.73%
Investment Earnings as % of Pension Benefits	-126.90%	66.70%	102.58%	2.05%	60.12%	84.85%	1.56%	-16.53%	69.46%	53.68%

City of Philadelphia

Table 6

Wage and Earnings Tax Taxable Income
For the Calendar Years 2008 Through 2017

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
2008	22,013.7	57.19%	4.09950%	16,479.4	42.81%	3.63170%	38,493.1	3.89923%
2009	21,805.5	57.38%	3.92980%	16,197.3	42.62%	3.49985%	38,002.8	3.74655%
2010	22,170.8	57.02%	3.92880%	16,713.5	42.98%	3.49910%	38,884.3	3.74410%
2011	22,726.3	57.06%	3.92800%	17,102.2	42.94%	3.49850%	39,828.5	3.74357%
2012	23,461.6	57.26%	3.92800%	17,513.6	42.74%	3.49850%	40,975.2	3.74442%
2013	24,320.8	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	30,464.7	59.19%	3.89555%	21,001.3	40.81%	3.46975%	51,466.0	3.72180%

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 2008 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
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2009 through 2018

Table 7

Tax Classification	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Wage and Earnings Tax:										
[a] City Residents	3.9300% [b]	3.9296% [b]	3.9280% [b]	3.9280% [b]	3.9280% [b]	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%
Non-City Residents	3.5000% [b]	3.4997% [b]	3.4985% [b]	3.4985% [b]	3.4985% [b]	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%
Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax										
[d] **Real Property: (% on Assessed Valuation)**										
City	3.305%	3.305%	4.123%	4.123%	4.462%	0.602%	0.602%	0.632%	0.632%	0.632%
School District of Philadelphia	4.959%	4.959%	4.959%	5.309%	5.309%	0.738%	0.738%	0.768%	0.768%	0.768%
Total Real Property Tax	8.264%	8.264%	9.082%	9.432%	9.771%	1.340%	1.340%	1.400%	1.400%	1.400%
[e] Assessment Ratio	28.46%	26.73%	28.05%	28.87%	28.68%	224.40%	213.95%	167.26%	167.14%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.352%	2.209%	2.548%	2.723%	2.802%	3.007%	2.867%	2.341%	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.										
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.10%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.1%	4.1%
Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate Certain long term leases are also subject to this tax.										
[c] **Business Income and Receipts Taxes**										
(% on Gross Receipts)	0.1415%	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%	6.4500%	6.4300%	6.4100%	6.3900%	6.3500%	6.3000%
Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BIRT Return										
[c] **Net Profits Tax:**										
[a] City Residents	3.9296%	3.9280%	3.9280%	3.9280%	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%
Non-City Residents	3.4997%	3.4985%	3.4985%	3.4985%	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%
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 2009 through 2018

Tax Classification	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales Tax										
City	1.0%	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	7.0%	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%	20.0%	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	6.0%	7.2%	8.2%	8.2%	8.2%	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%
	7.0%	8.2%	9.2%	9.2%	9.2%	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	2017 # of Remitters (Employers)	2017 Total Amount Remitted	2017 Percentage of Total Remitted	2008 # of Remitters (Employers)	2008 Total Amount Remitted	2008 Percentage of Total Remitted
Greater then $10 million	18	$513.2	26.79%	13	$336.1	22.39%
Between $1 million & $10 million	188	465.6	24.31%	158	405.5	27.02%
Between $100,000 & $1 million	1,964	522.1	27.26%	1,570	406.8	27.10%
Between $10,000 & $100,000	10,520	312.4	16.31%	8,871	266.0	17.72%
Less then $10,000	43,066	102.1	5.33%	36,898	86.5	5.77%
Total	55,756	$1,915.4	100.00%	47,510	$1,500.9	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 2009 through 2018

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)
2009	17,352	5,146		12,206		12,206	3.305%	28.46%	42,888	16.44%	74,246
2010	17,615	5,339		12,276		12,276	3.305%	26.73%	45,926	24.64%	49,821
2011	17,940	5,593		12,347		12,347	4.123%	28.05%	44,018	13.35%	92,487
2012	18,022	5,685		12,337		12,337	4.123%	28.87%	42,733	13.13%	93,960
2013	18,181	5,765		12,416		12,416	4.462%	28.68%	43,291	11.88%	104,512
2014	137,404	37,462	5,429	94,513	(2,590)	91,923	0.602%	224.40%	42,118	NA	NA
2015	136,341	37,223	6,411	92,707	(1,777)	90,930	0.602%	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%	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

	2018			2009		
Taxpayer	Assessment [1]	Rank	Percentage of Total Assessments	Assessment [1]	Rank	Percentage of Total Assessments
Liberty Property Phila	337.6	1	0.32	-		-
401 North Broad Fee Inter.	333.7	2	0.32	-		-
Commonwealth of PA	329.8	3	0.31	48.0	4	0.39
EQC Nine Penn Center Prop.	327.7	4	0.31	54.1	3	0.44
Phila Liberty Pla E Lp	289.2	5	0.28	54.4	2	0.45
Park Towne Place Assoc.	254.9	6	0.24	-		-
Commerce Square Partners	244.1	7	0.23	33.3	8	0.27
Philadelphia Market Street	243.1	8	0.23	28.8	10	0.24
Brandywine Operating	237.0	9	0.23	40.6	5	0.33
Maguire/Thomas Partners	231.4	10	0.22	33.9	7	0.28
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
	2,828.5		2.69	416.2		3.41
Taxable Assessments (before Homestead) [2]	111,257.1		100.00	12,205.7		100.00
Less Homestead Exemption [2]	6,268.2			0.0		
Total Taxable Assessments	104,988.9			12,205.7		

[1] Source: Office of Property Assessment.
a) 2018 Assessment as of March 2017.
b) 2009 Assessment as of November 2008.

[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 2009 through 2018
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
2009	396.5	NA	315.4	79.5%	73.5	388.9	98.1%
2010	405.8	NA	353.7	87.2%	37.6	391.3	96.4%
2011	509.1	NA	440.9	86.6%	46.8	487.7	95.8%
2012	508.6	491.0	459.2	93.5%	25.0	484.2	98.6%
2013	554.0	537.4	505.6	94.1%	26.3	531.9	99.0%
2014	553.2	514.3	482.1	93.7%	27.4	509.5	99.1%
2015	547.4	517.1	489.1	94.6%	23.8	512.9	99.2%
2016	569.9	549.3	525.2	95.6%	16.2	541.4	98.6%
2017	580.5	565.0	542.9	96.1%	9.8	552.7	97.8%
2018	658.1	638.6	589.5	NA	NA	589.5	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 2018, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections through the end of June 2018.

**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 2009 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 2018, 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 2018.

City of Philadelphia

Table 12

Ratios of Outstanding Debt by Type
For the Fiscal Years 2009 through 2018

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
2009	2,093.8	-	1,443.8	-	261.5	46.3	323.6	8.9	133.3	-	-
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

	Governmental Activities		Business-Type Activities				Ratios			
Fiscal Year	Museum of Arts	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
2009	-	4,311.2	3.4	1,648.7	1,250.4	2,902.5	7,213.7	13.29%	1,540,351	4,683
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

(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 2009 through 2018

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]
2009	2,093.8	12,205.6	28.46%	42,886.9	4.88%	1,353.20
2010	2,085.1	12,276.3	26.73%	45,927.0	4.54%	1,366.38
2011	2,135.0	12,347.1	28.05%	44,018.2	4.85%	1,387.65
2012	2,041.1	12,337.0	28.87%	42,732.9	4.78%	1,318.87
2013	1,968.7	12,416.0	28.68%	43,291.5	4.55%	1,267.54
2014	2,139.7	94,513.0	224.40%	42,118.1	5.08%	1,371.34
2015	1,996.0	92,707.0	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	NA	NA	NA	NA

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Office of Property Assessment

[2] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[3] See Table 17 for Population Amounts

City of Philadelphia

Table 14

Direct and Overlapping Governmental Activities Debt

June 30, 2018

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	3,196.4	100.00%	3,196.4
[1] **City Direct Debt**			4,117.7
Total Direct and Overlapping Debt			7,314.1

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

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2018

Assessed Value	59,266.7
Debt Limit	8,001.0
[1] Debt Applicable to Limit:	
Tax Supported General Obligation Debt:	
Issued & Outstanding	1,609.1
Authorized but Unissued	442.2
Total	2,051.3
Less: Amount set aside for repayment of general obligation debt	-
Total Net Debt Applicable to Limit	2,051.3
Legal Debt Margin	5,949.7

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit (notes 2, 3, 4, and 5)	1,469.4	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
Total Net Debt Applicable to Limit	1,352.3	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
Legal Debt Margin	117.1	116.4	97.3	79.8	52.1	1,337.7	2,537.7	3,612.6	4,677.5	5,949.7
Total Net Debt Applicable to the Limit as a Percent of Total Debt	92.03%	92.36%	93.81%	95.08%	96.88%	55.57%	40.83%	33.76%	29.44%	25.64%

[1] Refer to Purdon's Statutes 53 P.S. Section 15721
[2] The legal limit is based on the Pennsylvania Constitution article IX Section 12.
[3] Tax Years 2009-2013 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
2008	2009	13,307,070,680
2009	2010	13,102,186,291
2010	2011	13,522,847,116
2011	2012	13,602,484,741
2012	2013	13,755,670,566
2013	2014	107,209,023,547
2014	2015	106,062,882,977
2015	2016	98,268,051,621
2016	2017	99,343,238,214
2017	2018	114,493,581,457
	Ten Year average	59,266,703,721
	Limit per art. 9	13.50%
	Legal Debt Limit	8,001,005,002

City of Philadelphia **Table 16**

Pledged Revenue Coverage

For the Fiscal Years 2009 through 2018

Amounts in millions of USD

No.		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	527.5	566.7	589.7	613.3	638.4	680.4	-	-	-	-
1a	Total Revenue	-	-	-	-	-	-	676.8	678.9	720.6	750.1
2	Net Operating Expenses	342.6	334.0	357.7	375.1	399.3	410.8	422.3	433.0	480.3	506.2
2a	Commitments Cancelled (formally Beg. Fund Bal.)	-	-	-	-	-	-	(19.4)	(24.1)	(24.6)	(32.4)
3	Transfer To (From) Rate Stabilization Fund	(34.7)	(2.7)	10.9	8.5	(4.7)	22.9	21.4	(1.6)	(4.6)	(24.6)
4	Net Revenues	219.6	235.4	221.1	229.7	243.8	246.7	252.5	271.6	269.5	300.9
	Debt Service:										
5	Revenue Bonds Outstanding	183.0	195.7	184.3	191.4	201.0	201.7	205.3	219.3	206.1	218.4
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	1.2	1.0	-	-	-	-	-	-
8	Total Debt Service	184.2	196.9	185.5	192.4	201.0	201.7	205.3	219.0	215.9	237.2
9	Net Revenue after Debt Service	35.4	38.5	35.6	37.3	42.8	45.0	47.2	52.6	53.6	63.7
10	Transfer to General Fund	4.2	2.3	-	1.1	0.6	-	-	-	-	-
11	Transfer to Capital Fund	17.1	17.3	18.1	18.9	19.4	20.2	20.7	21.5	22.3	34.8
12	Transfer to Residual Fund	14.1	18.9	17.5	17.3	22.8	24.8	26.5	31.1	31.3	28.9
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.20	1.21	1.22	1.23	1.24	1.31	1.38
	Coverage B (Line 4/(Line 5 + Line 11))	1.09	1.10	1.09	1.09	1.11	1.11	1.12	1.13	1.18	1.19
	Airport Revenue Bonds										
1	Fund Balance	61.4	55.1	77.6	65.9	69.3	66.5	66.3	71.2	87.9	107.8
2	Project Revenues	255.3	246.9	260.8	269.6	291.8	316.9	322.8	341.2	362.0	381.7
3	Passenger Facility Charges	32.9	33.1	32.4	31.6	31.2	31.2	31.2	31.2	33.7	31.2
4	Total Fund Balance and Revenue	349.6	335.1	370.8	367.1	392.3	414.6	420.3	443.6	483.6	520.7
5	Net Operating Expenses	99.5	102.9	98.1	99.0	110.7	117.3	126.0	132.1	136.5	151.0
6	Interdepartmental Charges	89.0	80.7	88.6	92.7	101.9	103.9	108.7	106.8	116.7	116.7
7	Total Expenses	188.5	183.6	186.7	191.7	212.6	221.2	234.7	238.9	253.2	267.7
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	250.1	232.2	272.7	268.1	281.6	297.3	294.3	311.5	347.1	369.7
9	All Bonds (Line 4-Line 7)	161.1	151.5	184.1	175.4	179.7	193.4	185.6	204.7	230.4	253.0
	Debt Service:										
10	Revenue Bonds	95.6	94.3	102.4	103.0	109.8	125.4	125.2	120.6	122.6	127.8
11	General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
12	Total Debt Service	95.6	94.3	102.4	103.0	109.8	125.4	125.2	120.6	122.6	127.8
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.62	2.46	2.66	2.60	2.56	2.37	2.35	2.58	2.83	2.89
	Total Debt Service - Test "B" (Line 9/Line 12)	1.69	1.61	1.80	1.70	1.64	1.54	1.48	1.69	1.88	1.98

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 2008 through 2017

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
2008	1,540,351	54,262,716	35,228	7.1%
2009	1,547,297	54,061,223	34,939	9.6%
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%
2013	1,553,165	65,473,002	42,155	10.0%
2014	1,560,297	66,495,223	42,617	8.0%
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%

[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

2017	2008
CHILDRENS' HOSPITAL OF PH	ALBERT EINSTEIN MEDICAL
CITY OF PHILA	CHILDRENS' HOSPITAL OF PH
COMCAST CABLEVISION OF WILLOW GROVE INC	CITY OF PHILA
DREXEL UNIVERSITY	HOSPITAL OF THE UNIVERSITY OF PENNSYLVAN
SCHOOL DIST OF PHILA	SCHOOL DIST OF PHILA
SEPTA	SEPTA
TEMPLE UNIVERSITY	TEMPLE UNIVERSITY
THOMAS JEFFERSON UNIVERSITY HOSPITALS	THOMAS JEFFERSON UNIVERSITY HOSPITALS
UNIVERSITY OF PENNA (college)	UNITED STATES POSTAL SERVICE
UNIVERSITY OF PENNA (hospital)	UNIVERSITY OF PENNSYLVANIA

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2009 through 2018

Table 19

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Economic Development	23	25	27	28	31	29	33	43	39	47
Transportation:										
Streets & Highways	568	515	499	524	517	525	506	512	538	609
Mass Transit	8	7	9	13	15	15	12	12	1	1
Judiciary and Law Enforcement:										
Police	7,685	7,503	7,439	7,292	7,270	7,177	7,267	7,750	7,213	7,276
Prisons	2,309	2,268	2,173	2,150	2,245	2,257	2,286	2,280	2,257	2,208
Courts	3,310	3,215	3,225	3,249	3,260	3,234	3,255	3,276	3,367	3,317
Conservation of Health:										
Emergency Medical Services	256	329	341	338	375	494	576	534	592	416
Health Services	1,163	1,135	1,139	1,143	1,117	1,097	1,084	1,062	1,105	1,132
Housing and Neighborhood Development	99	96	94	83	75	72	74	66	67	73
Cultural and Recreational:										
Recreation	462	453	601	605	596	587	628	636	630	670
Parks	152	158	1	-	-					
Libraries and Museums	723	687	682	658	651	637	674	666	677	659
Improvements to General Welfare:										
Social Services	2,107	2,079	1,989	1,924	1,832	1,809	1,801	1,779	1,837	1,860
Inspections and Demolitions	221	223	214	230	286	288	319	323	336	378
Service to Property:										
Sanitation	1,169	1,157	1,185	1,154	1,152	1,158	1,155	1,159	1,153	1,094
Fire	2,019	1,820	1,838	1,700	1,705	1,643	1,719	1,871	1,896	2,036
General Management and Support	2,393	2,276	2,225	2,454	2,384	2,456	2,497	2,601	2,749	2,744
Total Governmental Activities	24,667	23,946	23,681	23,545	23,511	23,478	23,886	24,570	24,457	24,520
Business Type Activities:										
Water and Sewer	2,256	2,196	2,116	2,228	2,218	2,302	2,347	2,358	2,481	2,519
Aviation	1,033	1,001	1,010	1,021	1,057	1,040	1,021	1,032	1,035	1,056
Total Business-Type Activities	3,289	3,197	3,126	3,249	3,275	3,342	3,368	3,390	3,516	3,575
Fiduciary Activities:										
Pension Trust	69	66	65	61	53	50	55	56	56	60
Total Primary Government	28,025	27,209	26,872	26,855	26,839	26,870	27,309	28,016	28,029	28,155

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2009 through 2018

Table 20

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	119	69	36	37	51	34	40	43	56	77
Potholes Repaired	11,976	23,049	24,406	14,451	12,093	45,077	48,274	35,541	31,589	57,002
Judiciary and Law Enforcement:										
Police										
Arrests	68,922	64,465	73,310	70,971	71,109	71,650	71,661	55,693	46,268	45,531
Calls to 911	3,084,261	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
Prisons										
Average Inmate Population	9,554	8,806	7,935	8,240	8,987	8,759	8,254	7,685	6,925	6,158
Inmate Beds (city owned)	9,137	9,137	8,200	8,417	8,417	8,417	8,417	8,428	6,991	6,085
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	217,505	222,882	227,147	273,557	280,877	239,403	243,127	263,754	267,266	271,450
First Responder Runs	53,610	54,960	66,763	60,972	57,047	60,296	49,529	48,965	47,456	48,797
Health										
Patient Visits	349,078	350,695	339,032	348,472	341,305	309,911	290,000	72,479	336,445	335,937
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	1,420	1,388	2,714	1,978	2,442	873	1,634	2,501	2,579	2,120
Libraries										
Items borrowed	7,419,466	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
Visitors to all libraries	6,396,633	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
Visitors to library website	4,613,496	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
Improvements to General Welfare:										
Social Services										
Children Receiving Services	35,685	31,416	28,572	28,939	27,391	17,761	18,982	19,697	18,955	18,798
Children in Placement	7,993	8,792	7,122	7,839	8,509	8,548	7,809	8,463	8,782	8,731
Emergency Shelter Beds (average)	2,689	2,617	2,520	2,987	2,116	2,544	2,708	2,196	2,143	2,170
Transitional Housing Units (new placements)	476	487	510	558	539	509	509	517	415	284
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	2,532	2,412	2,254	2,299	2,179	2,132	2,139	2,270	2,311	2,310
Recyclables Collected (tons per day)	288	381	441	461	470	490	442	425	444	404
Fire										
Fires Handled	6,850	4,927	7,945	7,319	6,365	6,120	6,364	6,143	5,901	6,614
Fire Marshall Investigations	3,031	2,726	2,711	2,387	2,135	1,943	2,183	1,715	2,242	2,099
Business Type Activities:										
[2] **Water and Sewer**										
Millions of gallons of treated water	91,747	91,560	93,886	87,341	89,616	90,213	86,416	84,573	82,846	81,485
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	931	1,133	995	1,137	962	775	637	682	1,022	742
Water main breaks repaired	807	664	962	563	755	918	907	703	655	977
Average time to repair a water main break upon crew arrival at site (hours)	7.6	7.8	7.7	7.7	5.8	6.2	5.7	6.8	6.7	6.5
Percent of hydrants available	99.60%	99.58%	99.58%	99.70%	99.68%	99.68%	99.61%	99.60%	99.60%	99.57%
Number of storm drains cleaned	77,012	72,802	71,771	84,395	100,251	94,653	103,056	98,105	107,784	103,535
[1] **Aviation**										
Passengers Handled (PIA)	30,819,348	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
Air Cargo Tons (PIA)	475,365	440,495	449,683	416,731	388,383	395,661	402,194	414,891	424,009	487,086
Aircraft Movements (PIA and NPA)	551,191	543,462	458,832	517,842	506,261	493,272	487,096	407,968	378,334	371,397

[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 2009 through 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	2,575	2,550
Streetlights	103,982	104,219	104,219	104,600	105,151	105,151	105,151	105,151	104,595	106,092
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	35	35	31	32	37	39	40	50	48	55
Prisons										
Major Correctional Facilities	6	6	6	6	6	6	6	6	6	5
Conservation of Health:										
Health Services										
Health Care Centers	9	9	9	9	9	9	9	8	8	8
Cultural and Recreational:										
Recreation										
[5] Recreation Centers	171	171	153	184	185	184	155	164	313	313
[2] Athletic Venues	915	914	1,148	1,102	1,101	1,107	1,108	1107	1030	1030
[4] Neighborhood Parks and Squares	79	79	-	-	-	-	-	-	-	-
Parks										
Parks	63	63	150	177	177	177	209	209	211	211
Baseball/Softball Fields	79	79	407	404	404	403	403	404	412	404
Libraries										
Branch & Regional Libraries	54	54	54	54	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	63	63	63	68	68	68	69	63	69	67
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,145	3,236	3,164	3,172	3,174	3,176	3,176	3,187	3,184	3,185
Fire Hydrants	25,208	25,234	25,353	25,321	25,355	25,364	25,364	25,398	25,419	25,419
Treated Water Storage Capacity (x 1000 gallons)	1,065,500	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
Sanitary Sewers (miles)	749	751	758	759	762	762	762	763	765	766
Stormwater Conduits (miles)	720	721	731	734	738	737	737	740	747	744
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	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
[3] **Aviation**										
Passenger Gates (PIA)	120	120	126	126	126	126	126	126	126	126
Terminal Buildings (square footage) (PIA)	2,415,000	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
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 D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SECURITY LEASES

The following are summaries of the Original Indenture, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, (the Fifth Supplemental Indenture (which amended and restated the Third Supplemental Indenture and the Fourth Supplemental Indenture), the Sixth Supplemental Indenture, the Seventh Supplemental Indenture and the Eighth Supplemental Indenture (collectively, the "Indenture") and the Security Leases. These summaries should not be regarded as full statements of the legal documents themselves, or of the portions summarized.

For a complete statement of the provisions of the Indenture and the Security Leases, reference should be made to those documents in their entirety, copies of which are available at the office of the Trustee as set forth under "INTRODUCTION" in this Official Statement.

THE INDENTURE DEFINITIONS OF CERTAIN TERMS

Words and terms used in this summary of the Indenture are defined therein and shall have the same meaning herein as in the respective legal documents. Certain of these words and terms are defined below for convenience.

"Accreted Value" means with respect to each Capital Appreciation Bond, the value thereof on a particular date.

"Act" means the Act of August 23, 1967, P.L. 251, as amended, known as the Pennsylvania Economic Development Financing Law.

"Additional Debt" means any series of bonds, notes or other evidences of indebtedness issued under the Indenture, other than any Notes, authenticated and delivered pursuant to the Original Indenture.

"Additional Project"[1] means any and all additional land acquisition, site work, demolition, design, construction, equipping of the Eagles Premises, the Phillies Premises or any other parcel in connection with the stadium projects, improvements and infrastructure in connection with the construction of the stadiums, and any and all additions, improvements, amenities, repairs or replacements thereto and the funding of any reserves in connection therewith.

"Advance-Refunded Municipal Notes" means obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by Government Obligations held in trust for the payment hereof, which Advance-Refunded Municipal Notes are rated in the highest rating category by a Rating Agency that maintains a credit rating with respect to such Advance-Refunded Municipal Notes.

"Authority" means Philadelphia Authority for Industrial Development.

"Authority Board" means the governing body of the Authority.

"Authority Swap Payments" mean any payment due and owing by the Authority to a Counterparty under a Swap.

[1] Certain references to the Eagles "Practice Facility" and related terms from the Original Indenture have been omitted from this summary.

“Authority Swap Receipts” mean all sums received by the Authority under a Swap, including any upfront payment, periodic payment or termination payment.

“Authorized Authority Officer” means the Chairman, Vice-Chairman, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer or any other officer of the Authority designated by resolution of the Authority.

“Authorized Representative” means the City Treasurer or a Deputy City Treasurer, or such other individual as the City Treasurer or the Director of Finance of the City shall designate in writing, acting in cooperation with an Authorized Authority Officer, for whom the City and the Authority have each furnished the Trustee with certificates of incumbency and specimen signatures.

“Bond Counsel” means an attorney or a law firm appointed by the Authority having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations.

“Bond Fund” means the fund so designated which is established pursuant to the Indenture.

“Bonds” means all Additional Debt issued pursuant to the Indenture in the form of bonds.

“Business Day” means any day other than: (i) a Saturday or Sunday: (ii) in the City, a legal holiday or a day on which banking institutions are authorized by law to close; or (iii) a day on which the Trustee or the Paying Agent is authorized or required by law or executive order to be closed.

“Capital Appreciation Bond” means any Debt obligation designated or identified as a Capital Appreciation Bond by the Supplemental Indenture pursuant to which it was issued.

“Capitalized Interest Account” means the account so designated which is established pursuant to the Original Indenture.

“Certified Resolution of the Authority” means a copy of one or more resolutions certified by the Secretary or an Assistant Secretary of the Authority, under its seal, to have been duly adopted by the Authority Board and to be in effect on the date of such certification.

“City” means The City of Philadelphia.

“Clearing Fund” means the fund so designated which is established pursuant to the Indenture.

“Code” means the Internal Revenue Code of 1986, as amended, and with respect to a specific section thereof, such reference shall be deemed to include (i) the regulations prescribed under such section, (ii) any predecessor or successor provision of similar import hereafter enacted, (iii) any corresponding provisions of any subsequent Internal Revenue Code, and (iv) the regulations prescribed under the provisions described in (ii) and (iii).

“Commonwealth” means the Commonwealth of Pennsylvania.

“Construction Fund” means the construction fund described in the Original Indenture.

“Cost” or “Costs” in connection with the Project or, where applicable, Additional Projects, means all expenses permitted under the Act which are reasonable and necessary for carrying out all work and undertakings with respect to the Project or Additional Projects, or which are incidental to the financing, refinancing, acquisition or construction of the Project and any Additional Projects, including, without limiting the generality of the foregoing:

(a) Amounts payable to contractors and costs incident to the award of contracts;

(b) Costs of labor, facilities and services furnished by the Authority, the City and their employees or others, materials and supplies purchased by the Authority, the City or others, and permits and licenses obtained by the Authority, the City or others;

(c) Engineering, architectural, legal, accounting and other professional and advisory fees;

(d) Premiums for contract bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;

(e) All expenses incurred in connection with the issuance of Debt, including, without limitation, compensation and expenses of the Trustee, including legal fees and expenses, fees and expenses of the Authority, expenses of the City for financial services rendered to it in connection with any Debt financing, legal and accounting expenses and fees, costs of printing and engraving, recording and filing fees, compensation of underwriters, rating agency fees, credit facility fees, surety bond costs, and costs of any other financial services incurred in connection with the Debt;

(f) Capitalized interest on the Debt;

(g) Costs, fees and expenses in connection with the acquisition of real and personal property or rights therein; and

(h) Cost of equipment purchased by the City or others and necessary or desirable for proper operation of the Project or any Additional Project.

In the case of projects for refunding or redeeming any Debt, "Cost" or "Costs" includes, without limiting the generality of the foregoing, the items listed in (c) and (e) above, advertising and other expenses related to the redemption of the Debt to be redeemed and the Redemption Price, if any, of such Debt (and the accrued interest payable on redemption to the extent not otherwise provided for). Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above. Whenever Costs are to be paid under the Indenture, such payment may be made by way of reimbursement to the Authority or others who have paid the same.

"Counterparty" means any counterparty under a swap agreement entered into by the Authority in connection with any Bonds issued under the Indenture and consisting of all documents entered into between the Authority and a Counterparty as part of such transaction.

"Credit Facility" means any letter of credit, line of credit, surety bond, insurance commitment, insurance policy or similar agreement insuring or otherwise providing for the scheduled payment of the principal of and interest on the Bonds and any credit, loan or reimbursement agreement or other obligation of the Authority to the Credit Provider in connection therewith, and all documents collateral thereto, as may be substituted from time to time.

"Credit Provider" means the issuer of any particular Credit Facility, and its successors and assigns as such issuer.

"Debt" means the Notes and any Additional Debt authenticated and delivered under the Indenture.

"Debt Service Requirement," with reference to a specified period means:

(a) interest payable on the Debt under consideration during the period, with adjustment for capitalized interest and interest on the Debt to be redeemed during such period through any sinking fund account;

(b) amounts required to be paid into any mandatory sinking fund account during such period with respect to the Debt under consideration; and

(c) amounts needed to pay the principal and premium, if any, of the Debt under consideration maturing during such period and not to be redeemed prior to maturity through any sinking fund account.

"DTC" means The Depository Trust Company, New York, New York, or any successor securities depository.

"Eagles" means Philadelphia Eagles Limited Partnership, a Delaware limited partnership.

"Eagles Ground Lease" means a Ground Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases to the Authority a parcel of land in connection with the development of a football stadium for the Eagles.

"Eagles Leaseback" means a Lease-Back Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases back to the Authority the Eagles Premises.

"Eagles Leases" means the Eagles Ground Lease, the Eagles Prime Lease and the Eagles Leaseback.

"Eagles Premises" means the parcel of land leased to the Authority pursuant to the Eagles Ground Lease, as improved, including by a football stadium.

"Eagles Prime Lease" means a Prime Lease dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the Authority leased back to the City the Eagles Premises.

"Eagles Sublease" means a Sublease and Development Agreement pursuant to which the Authority leases all or a portion of the Eagles Premises to the Eagles.

"Eighth Supplemental Indenture" means the Eighth Supplemental Trust Indenture dated as of September 1, 2019 between the Authority and the Trustee.

"Event of Default" means any of the events described below under "EVENTS OF DEFAULTS AND REMEDIES – Events of Default Defined".

"Federal Tax Certificate" means the Tax Certificate as to Arbitrage and Instructions as to Compliance with the provisions of Section 103(a) of the Internal Revenue Code of 1986, as amended, executed by the Authority and the City in connection with the issuance of any tax-exempt Debt (or similarly designated tax certificate).

"Fifth Supplemental Indenture" means the Fifth Supplemental Trust Indenture dated as of May 1, 2011 between the Authority and the Trustee.

“Financial Consultant” means a firm of investment bankers, a financial consulting firm, a law firm or a firm of certified public accountants, satisfactory to the City, which is experienced in the calculation of amounts required to be rebated to the United States under Section 148(f) of the Code.

“First Supplemental Indenture” means the First Supplemental Trust Indenture dated as of December 1, 2001 between the Authority and the Trustee.

“Fiscal Year” shall mean the period of twelve months beginning July 1 of each year or any other period of twelve (12) consecutive months selected by the City as its fiscal year.

“Fourth Supplemental Indenture” means the Fourth Supplemental Trust Indenture dated as of May 1, 2008 between the Authority and the Trustee.

“Government Obligations” means obligations to the timely payment of which the full faith and credit of the United States of America is pledged.

“Holder” or “Owner” means the Registered Owner of any Debt.

“Indenture” means the Original Indenture, as amended or supplemented in accordance with the terms thereof at the time in question.

“Interest Payment Date”, in respect of a particular series of Debt, means the payment date of an installment of interest on the Debt of such series.

“Investment Securities” shall mean and include any of the following if and to the extent the same are at the time legal for investment of Authority funds:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations (stripped securities are only permitted if they have been stripped by the federal agency that issued or guaranteed the Government Obligation);

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Federal National Mortgage Association, Government National Mortgage Association, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, U.S. Maritime Administration, U.S. Housing and Urban Development, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Resolution Funding Corporation, Export-Import Bank of the United States, or Farm Credit System;

(d) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee and its affiliates), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or any successor federal deposit insurance corporation or entity;

(e) Repurchase agreements collateralized by securities described in subparagraphs (a), (b) or obligations described in (c) above which are backed by the full faith and credit of the United States Government with any registered broker/dealer subject to the Securities Investors’ Protection Corporation or with any commercial bank (in either case, including the Trustee and its affiliates), provided that (1) a specific written repurchase agreement governs the transaction, (2) the securities are held free and clear of any lien by the Authority, the City, the Trustee (if the Trustee is not supplying the collateral) or an independent third party acting solely as agent for the Trustee (which shall be required if the Trustee is supplying the collateral), and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has a combined capital, surplus and undivided profits of not less than $25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures described in 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq., in such securities is created for the benefit of the Trustee, (4) the repurchase agreement has a term of thirty days or less, or the Trustee or an independent third party acting solely as agent for the Trustee will value the collateral securities no less frequently than weekly, which securities shall be marked to market at current price plus accrued interest and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation, (5) the fair market value of the collateral securities is equal to at least 104% of the amount of the repurchase obligation, including principal and interest (if the securities used as collateral are Federal Home Loan Mortgage Corporation or Federal National Mortgage Association securities, then the value of the collateral securities shall equal at least 105%), (6) the collateral was not acquired by the broker/dealer pursuant to a repurchase agreement or reverse repurchase agreement, and (7) a legal opinion of counsel is delivered to the Trustee that the repurchase agreement complies with the Indenture, the guidelines under state law for legal investment of public funds and is a legal investment for the Authority;

(f) Reserved;

(g) Money market funds registered under the Federal Investment Company Act of 1944, whose shares are registered under the Federal Securities Act of 1933, and rated "AAAm-G" or "AAA-m" or "AA-m" by S&P and if rated by Moody's rated "Aaa", "Aa1" or "Aa2" including, without limitation, any qualifying mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services tendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates;

(h) Commercial paper rated "Prime-1" or better by Moody's or "A-1" or better by S&P;

(i) Obligations rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) Advance-Refunded Municipal Bonds;

(k) Tax-exempt obligations that are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies, or shares of investment companies that invest only in such obligations including, without limitation, any qualifying mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates;

(l) The Trustee's "cash sweep account" or other short term investment fund of the Trustee or its subsidiaries, the assets of which consist of other Investment Securities defined above; and

(m) Repurchase agreements with maturities beyond 30 days and investment agreements provided that they are approved by each bond insurer or other credit provider for the Debt.

"Land Acquisition and Related Costs" means, in connection with the construction of two sports stadia for the Phillies and the Eagles, the acquisition of various parcels of land, the payment of certain relocation costs, and the performance of certain demolition and site work in connection therewith.

"Liquidity Facility" has the same meaning as the term Credit Facility as set forth in the Indenture and in the Security Leases, but which provides liquidity support for tenders of Bonds as set forth in the applicable Supplemental Indenture.

"Liquidity Provider" means the issuer of any particular Liquidity Facility and its successors and assigns, as issuer.

"Moody's" means Moody's Investors Service, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the City, by written notice to the Trustee.

"Notes" means the Authority's Lease Revenue Notes, 2001 Series A (Federally Taxable) issued to finance the Project. (The Notes were previously redeemed.)

"Notice Parties" means the Trustee, the Tender Agent, the Remarketing Agent, if any, the Broker-Dealer, if any, the Paying Agent, the Credit Provider, the Liquidity Provider and the Authority.

"Obligations" means the Debt.

"Original Indenture" means the Trust Indenture, dated as of April 1, 2001 between the Authority and the Trustee.

"Outstanding", in connection with Debt means, as of the time in question, all Debt which has been authenticated and delivered under the Indenture, except:

(a) Debt cancelled or required to be cancelled;

(b) Debt for the discharge, cancellation, payment, redemption, retirement or purchase of which, moneys or Government Obligations the principal of and interest on which, when due, will provide sufficient moneys to fully pay such Debt, shall have been or shall concurrently be deposited with the Trustee in accordance with the Indenture; provided that, if such Debt is being redeemed prior to maturity, any required notice of redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor, and that if such Debt is being purchased, there shall be a firm commitment for the purchase and sale thereof;

(c) Debt in substitution for which other Debt has been authenticated and delivered, pursuant to the Indenture; and

(d) For purposes of any consent or other action to be taken by the Holders of a specified percentage of Debt under the Indenture, Debt held by or for the account of the Authority or the City, or any Person controlling, controlled by or under common control with the Authority or the City.

"Paying Agent" means, any national banking association having trust powers, bank and trust company or trust company appointed as such by the Authority and accepting such appointment for the time being pursuant to the Indenture.

"Payment Office" means the office of the Trustee for the payment of Additional Debt.

"Person" means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, any unincorporated organization, a governmental body, any other political subdivision, municipality or municipal authority or any other group or entity.

"Phillies" means The Phillies, a Pennsylvania limited partnership.

"Phillies Ground Lease" means a Ground Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases to the Authority various parcels of land in connection with the development of a baseball park for the Phillies.

"Phillies Leaseback" means a Lease-Back Lease Agreement dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the City leases back to the Authority the Phillies Premises.

"Phillies Leases" means the Phillies Ground Lease, the Phillies Prime Lease and the Phillies Leaseback.

"Phillies Premises" means the various parcels of land leased to the Authority pursuant to the Phillies Ground Lease, as improved, including by a baseball park.

"Phillies Prime Lease" means a Prime Lease dated as of April 1, 2001, as it may be amended and supplemented, pursuant to which the Authority leases back to the City the Phillies Premises.

"Phillies Sublease" means a Sublease and Development Agreement pursuant to which the Authority will lease all or a portion of the Phillies Premises to the Phillies.

"Project" means the financing or refinancing by the Authority of the Land Acquisition and Related Costs; the funding of reserves, if any; capitalized interest; and the payment of costs of issuance.

"Purchase Fund" means the fund of that name created in the Fifth Supplemental Indenture.

"Rating Agency" shall mean, as of any date, each nationally recognized rating service that shall have assigned and have in effect as of such date a rating with respect to any of the Debt.

"Rebate Fund" means the fund so designated which is established pursuant to the Original Indenture.

"Redemption Price" where used with respect to a Debt obligation which is not a Capital Appreciation Bond, means the principal amount of such obligation plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture, and with respect to any Capital Appreciation

Bond, the Accreted Value of such bond on the redemption date plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

“Reimbursement Agreement” means a reimbursement agreement between the Authority and a Credit Provider or a Liquidity Provider related to a Credit Facility for the 2007B Bonds.

“Remarketing Agent” means any investment banking fund appointed by or which may be substituted in its place as provided in the Indenture.

“Remarketing Agreement” means any Remarketing Agreement relating to the 2007B Bonds by and between the Authority and the Remarketing Agent or any similar agreement between the Authority and the Remarketing Agent, as it may be amended or supplemented from time to time in accordance with its terms.

“S&P” means Standard & Poor’s Rating Services, a division of McGraw-Hill Companies, Inc., its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the City, by written notice to the Trustee.

“Second Supplemental Indenture” means the Second Supplemental Indenture, dated as of June 30, 2004, between the Authority and the Trustee.

“Seventh Supplemental Indenture” means the Seventh Supplemental Trust Indenture dated as of June 1, 2014 between the Authority and the Trustee.

“Sinking Fund Installment Date” means October 1 of the years in which the Trustee is required to redeem Bonds of any series from the Bond Redemption Account or Accounts of the Bond Fund for such series established pursuant to the Indenture.

“Sixth Supplemental Indenture” means the Sixth Supplemental Trust Indenture dated as of May 1, 2014 between the Authority and the Trustee.

“Supplemental Indenture” shall mean any indenture amending or supplementing the Indenture which may be entered into in accordance with the provisions of the Indenture.

“Swap” means any swap agreement entered into by the Authority in connection with any Bonds issued under the Indenture and consisting of all documents entered into between the Authority and a Counterparty as part of such transaction.

“Team Subleases” means the Phillies Sublease, together with the Eagles Sublease.

“Tender Agent” means the commercial bank, trust company or other entity which may from time to time be appointed to serve as Tender Agent. Until such time as an alternate Tender Agent is appointed, the Tender Agent shall be the Trustee.

“Third Supplemental Indenture” means the Third Supplemental Indenture, dated as of October 1, 2007, between the Authority and the Trustee.

“Trustee” means The Bank of New York Trust Company, N.A. (successor to J.P. Morgan Trust Company, National Association), as trustee.

"2007B Bonds" means the Authority's Variable Rate Lease Revenue Refunding Bonds, 2007 Series B.

THE ORIGINAL INDENTURE
TRUST ESTATE

The Authority, in order to secure the payment of the principal of, and premium, if any, and interest on all Debt issued and outstanding under the Indenture according to its tenor and effect and the performance and observance by the Authority of all the covenants expressed or implied therein and in said Debt assigns and pledges to the Trustee, its successors in the trust and its assigns forever, and grants to the Trustee, its successors in trust and its assigns forever, a presently existing and continuing security interest in, assignment and pledge of, and a continuing lien on, each and all of the following: (i) {Note: Various references from the Original Indenture relating to the former Veterans Stadium and related references, are omitted from this summary of the Indenture}; and (ii) the rights, title and interest of the Authority in and to all payments, revenues and receipts under Section 4.1(b) of the Eagles Prime Lease (i.e., relating to rent payments when the Authority issues its Bonds) (excepting the right to certain amounts payable to the Authority for insurance premiums and any rebate liability, and the Trustee for its fees, expenses and indemnities, under the Eagles Prime Lease) and the rights and remedies associated with such payments; and (iii) the rights, title and interest of the Authority in and to all payments, revenues and receipts under Section 4.1(a) of the Phillies Prime Lease (i.e., relating to rent payments when the Authority issues its bonds) (excepting the right to certain amounts payable to the Authority for insurance premiums and any rebate liability, and the Trustee for its fees, expenses and indemnities, under the Phillies Prime Lease) and the rights and remedies associated with such payments; (iv) the rights, title and interest of the Authority in and to all payments, revenues and receipts under any swap agreements entered into in connection with bonds issued under the Indenture (clause (iv) added by the Second Supplemental Indenture); and (v) all funds and accounts established under the Indenture (other than the Rebate Fund and any other fund or account established hereafter and specifically excluded from the pledge), all instruments and obligations in which the moneys in such funds and accounts may from time to time be invested and all interest and other investment earnings thereon and proceeds thereof; provided that the Construction Fund shall not be pledged to secure any Debt unless otherwise expressly provided in a Supplemental Indenture (items (i) through (v) are collectively referred to as the "Trust Estate"), in trust, for the equal and ratable benefit and security of all present and future Holders of the Debt issued and to be issued under the Indenture, without preference, priority or distinction as to lien or otherwise (except as otherwise specifically provided therein) of any one Debt obligation over any other Debt obligation upon the terms and subject to the conditions thereinafter set forth in the Indenture.

ISSUE OF ADDITIONAL DEBT

Issue of Additional Debt

The Authority may issue one or more series of Additional Debt, which shall be on parity as to the Trust Estate except as expressly provided in the Original Indenture or in a Supplemental Indenture, in such form and denominations, bearing interest on such dates and at such rates, be payable at such times, and having such provisions for redemption, transfer and exchange from time to time as shall be provided in a Supplemental Indenture to pay the Cost of undertaking or completing the Project or an Additional Project and the Cost of refunding all or part of the Outstanding Debt under the Indenture. The Trustee shall authenticate and deliver such Additional Debt at the written request of the Authority, but only upon compliance with the requirements set forth below and, to the extent applicable, with the further requirements of the Indenture. In the event that any Additional Debt is issued in the form of commercial paper, it will be designated as a new series and will not constitute part of the Notes. The Authority also reserves the right to issue additional debt subordinate to the lien and pledge created in the Indenture as security for the Obligations on such terms as shall be provided in a Supplemental Indenture subject to the approval of the City pursuant to applicable law. In all cases, there shall be delivered to the Trustee executed counterparts of a Supplemental Indenture and, if necessary, an amendment to one or more of the Security Leases; Certified Resolutions of the Authority and Ordinances of the City approving the issuance of the Additional Debt and, if necessary, certified Ordinances of the City approving any amendments to the Security Leases or approving any additional lease or sublease.

Additional Projects

If the City shall deem it necessary or advisable that an Additional Project or Additional Projects be undertaken, the City may request the Authority to provide moneys for all or part of the Costs thereof. Any such request shall be in writing, shall be signed by the Director of Finance of the City or his designee, shall set forth the amount requested and shall be accompanied, if necessary, by appropriate ordinance of the City Council authorizing the Additional Project and an increase, if necessary, of the rentals due under one or more of the Security Leases or the imposition of rentals payable by the City pursuant to an additional lease or sublease, to pay the debt service of and any other costs or expenses related to any obligation incurred by the Authority for the Additional Projects.

REVENUES OF THE AUTHORITY, AND THE APPLICATION THEREOF TO FUNDS AND ACCOUNTS

Trust Estate to be Paid Over to Trustee

The Authority, by execution and delivery of the Indenture, assigns, transfers and sets over all right, title and interest of the Authority in and to the Trust Estate and all rentals and other amounts payable thereunder to the Trustee, IN TRUST, to be held and applied pursuant to provisions of the Indenture. Pursuant to the Indenture, the Authority pledges to the Trustee the aforesaid Trust Estate as security for the performance of any obligations under the Indenture (inclusive of obligations to Swap Counterparties on a subordinate basis as provided in certain subsequent Supplemental Indentures). The pledge made by the Indenture shall be valid and binding from the time such pledge is made, and the covenants and agreements set forth in the Indenture to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of the Debt, all of which, regardless of their respective times of issue and maturity, shall be of equal rank, without preference, priority or distinction of any Obligation over any other Obligation, except as expressly provided therein or permitted by the Indenture. The Trust Estate shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act. Pursuant to the assignment of the Authority's rights under the Security Leases, those amounts payable thereunder which are pledged to the Trustee under the Indenture shall be paid directly to the Trustee by the City. Upon receipt of any amounts constituting the Trust Estate or other payments under the Indenture (except proceeds of Additional Debt) the Trustee shall deposit the same in accordance with the Indenture.

Moneys to Be Held for All Holders With Certain Exceptions

Moneys and investments in the various funds and accounts established under the Indenture shall, until applied as provided with respect to the fund in question, be held in trust by the Trustee for the equal and ratable benefit and security of the Holders of all Outstanding Debt, except: (i) any bond redemption fund established for any series of Debt shall be held for the benefit of the Holders of Debt of that series only, (ii) the Rebate Fund shall be held for the purposes set forth in the Original Indenture, (iii) the Construction Fund shall not secure any Debt, except as otherwise expressly provided in a Supplemental Indenture and (iv) any other fund or account established hereafter and not pledged shall be held for the purposes set forth in connection with its establishment.

Rebate Fund

The Trustee shall establish a fund designated the "Rebate Fund" with appropriate subaccounts for each series of tax-exempt Debt; provided that the Trustee shall only be required to establish the Rebate Fund on its books at such time that it is notified in writing by the City or the Financial Consultant at the request of the City that there is a Rebate Amount (as defined therein). Any provision of the Indenture to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien under the Indenture.

The Authority covenants to comply with the rebate requirements set forth in Section 148(f) of the Code. The Authority shall cause the City, at its expense, to engage and furnish information to a Financial Consultant to calculate at the times required by Section 148(f) of the Code the rebate amount computed in the manner prescribed by Section 148(f) of the Code (the "Rebate Amount") with respect to any Debt the interest on which is excluded from gross income pursuant to Section 103(a) of the Code.

Creation of Other Funds and Accounts

At the written direction of the Authority, the Trustee shall establish additional funds and accounts under the Indenture, some or all of which, at the written direction of the Authority, may not be subject to the pledge of the Indenture.

SECURITY FOR AND INVESTMENT OR DEPOSIT OF FUNDS

Deposits and Security Therefor

All moneys received by the Trustee under the Indenture for deposit in any fund or account established thereunder shall, except as hereinafter described, be deposited in the commercial department of the Trustee or any of its affiliates, until or unless invested or deposited as provided in the provisions of the Original Indenture (summarized under the following sub-caption). All deposits in the commercial department of the Trustee or any of its affiliates (whether original deposits under the provisions of the Original Indenture (summarized under this sub-caption) or deposits or re-deposits in time accounts under the Original Indenture) shall, to the extent not insured by the Federal Deposit Insurance Corporation, be fully secured by a pledge of Government Obligations, or secured as required by Pennsylvania law for deposits of trust funds. If at any time the commercial department of the Trustee or any of its affiliates is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such moneys with any other depository which is authorized to receive them and the deposits of which are insured by the Federal Deposit Insurance Corporation. All deposits with any other depository in excess of the amount insured by the Federal Deposit Insurance Corporation shall, to the extent permitted by law, be secured by a pledge of Government Obligations.

Investment or Deposit of Funds

(a) The Trustee shall, as directed in writing by the Authority, invest moneys held in the funds and accounts established under the Indenture in any Investment Securities. All investments made pursuant to the provisions of the Original Indenture summarized under this sub-caption shall mature or be subject to redemption by the holder at not less than the principal amount thereof or the cost of acquisition, whichever is lower, and all deposits in time accounts shall be subject to withdrawal without penalty, not later than the date when the amounts will foreseeably be needed for purposes of the Indenture.

(b) The interest and other income received upon such investments and any interest paid by the Trustee or any other depository of any fund or account and any profit (or loss) resulting from the sale of securities shall initially be added (or charged) to the fund or account in question. Interest and other income received upon investment in funds or accounts and any profit resulting from the sale of securities therein during the construction of Additional Projects financed with the proceeds of Additional Debt shall be distributed or held in accordance with the terms of any Certified Resolution of the Authority or Supplemental Indenture; provided that if such Resolution or Indenture contains no terms governing (the holding or distribution, such interest and other income received on and any profit resulting from the sale of the securities contained in the funds or accounts during the construction of such Additional Projects shall be credited to the Construction Fund.

(c) Upon request of the Authority, or on its own initiative whenever payment is to be made out of any fund or account, the Trustee shall sell such securities as may be requested or required to make the payment and restore the proceeds to the fund or account in which the securities were held. Neither the Trustee nor the Authority shall be accountable for any depreciation in the value of any such security or for any loss resulting from the sale thereof.

Valuation of Funds

In computing the assets of any fund or account, investments and accrued interest thereon shall be deemed a part thereof. Such investments shall be valued by the Trustee annually on June 30, at the current market value thereof, or at the redemption price thereof, if then redeemable at the option of the holder.

COVENANTS OF AUTHORITY

Payment of Principal or Redemption Price of and Interest on Debt

The Authority shall promptly pay or cause to be paid the principal or applicable Redemption Price of, and interest on every Debt obligation issued under the Indenture according to the terms thereof, but shall be required to make such payment only out of the Trust Estate. The Authority shall appoint one or more Paying Agents for such purpose, each such agent to be a bank and trust company or a trust company or a national banking association having trust powers. The Authority appoints the Trustee to act as Paying Agent and designates the Payment Office of such agent as the place of payment, such appointment and designation to remain in effect until notice of change is filed with the Trustee.

The Authority shall require any Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee that such Paying Agent will (1) hold all sums held by it for the payment of the principal of, or interest on, Debt obligations in trust for the benefit of the Holders of such Debt until such sums shall be paid to such Holders or otherwise disposed of as provided in the Indenture; (2) give the Trustee notice of any default by the Authority (or any other obligor upon the Debt) in the making of any payment of principal or interest; and (3) at any time during the continuance of such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

Corporate Existence

The Authority shall maintain its corporate existence throughout the term of the Debt; and shall comply with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any legislative, executive, administrative or judicial body.

Compliance with Security Leases

The Authority covenants and agrees that (i) it shall comply with all applicable provisions of the Security Leases, as if contained in the Indenture; and (ii) it shall enforce against the City the obligations of the City under the Security Leases, including, without limitation, the obligation to pay the rental payments when due.

Assignment of Security Leases

The Authority agrees that, except for the assignment of certain rentals and rights under the Eagles Prime Lease and the Phillies Prime Lease to the Trustee pursuant to the Indenture, it will not assign or otherwise encumber such Security Leases or any payments due thereunder other than as contemplated therein; provided that the Authority shall have the right, with no additional consent of any bond insurer of the Debt, to enter into: (i) amendments to the legal descriptions of the real property contained in the Phillies Leases and the Eagles Leases; and (ii) the Team Subleases, including amendments to the legal descriptions of the real property contained therein, and non-disturbance agreements substantially in the forms attached thereto.

Enforcement, Execution and Amendment of Security Leases and Other Contracts- Notice of Default

The Authority shall enforce payment of service charges, rentals and other amounts payable under the Security Leases, and any other lease, agreement or other contract otherwise made subject to the lien and security interest created by the Indenture, and shall otherwise enforce all of its rights and privileges, and honor all of its obligations thereunder. The Authority and the Trustee acknowledge and agree that the Team Subleases are not subject to the provisions of the Original Indenture (summarized under this sub-caption). So long as no Event of Default under the Indenture shall have occurred and be continuing, the Authority may exercise all of its rights under the Security Leases which have been assigned to the Trustee, or any other such lease, sublease, agreement or contract, or supplement or amendment thereto, but the Authority shall not, without the prior written consent of the Trustee and any bond insurer of the Debt, amend any of the same, provided that the Trustee and any bond insurer of the Debt shall not have the right to consent to any amendments of the nature described in clauses (i) and (ii) of the Original Indenture summarized under the preceding sub-caption; and provided further that the Trustee and any such bond insurer shall not have the right to consent to amendments of the Team Subleases. Nothing in the Indenture shall prevent the Authority from exercising any rights under the Security Leases which have not been assigned to the Trustee or any bond insurer of the Debt and nothing in the Indenture shall prevent any bond insurer of the Debt from exercising any rights under the Security Leases which have been assigned to it in accordance with their terms. The Authority shall file with the Trustee copies of the Security Leases and all other leases, agreements and contracts of the nature referred to in the provisions of the Original Indenture summarized under this sub-caption (whether heretofore or hereafter executed), together with all amendments or supplements thereto, and shall give prompt written notice to the Trustee of any material default by any of the parties thereto.

Sale or Encumbrance of Eagles Premises, Phillies Premises Prohibited Exceptions

Except as permitted by the Eagles Leases, the Phillies Leases, the Team Subleases, or any agreements with the Commonwealth entered into in connection with the implementation of the Commonwealth's rights under the Capital Facilities Debt Enabling Act (Act of February 9, 1999, P.L. 1, No. 1) to acquire interests in the Eagles Premises or the Phillies Premises or as otherwise specifically permitted by the Indenture or in connection with the development of the new football stadium or baseball ballpark, the Authority shall not sell, lease, pledge or otherwise dispose of the Eagles Premises, the

Phillies Premises or any part thereof or of the revenues derived by the Authority therefrom or create any lien or encumbrance thereon. Upon the conditions stated, and upon receipt of any document required under the Eagles Leases and the Phillies Leases, the Trustee shall execute such consents or releases to any sale, transfer or encumbrance permitted thereby as may be appropriate.

Payment of Taxes; Discharge of Liens

The Authority shall pay or cause to be paid, all taxes, assessments, or other municipal or governmental charges lawfully imposed upon the Authority by virtue of its leasehold interest in the Eagles Premises, and the Phillies Premises or any revenues therefrom and will not knowingly cause to be created any lien or charge thereon except the liens and charges of the Indenture and encumbrances permitted under the Original Indenture or under the Eagles Leases and the Phillies Leases.

Compliance with Code

(a) *General*. The Authority covenants with the Holders of tax-exempt Debt that, notwithstanding any other provisions of the Indenture or other instrument, it shall not take or cause to be taken 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 interest on the tax-exempt Debt under Section 103(a) of the Code.

(b) *Arbitrage or Private Activity Bonds*. The Authority covenants with the Holders of tax exempt Debt that it will make no use of the proceeds of such Debt which would cause such series of Debt to be “private activity bonds” or “arbitrage bonds” (as defined respectively in Sections 141(a) and 148 of the Code and all applicable regulations issued or proposed with respect thereto). The Authority shall not take any action which would cause interest on tax-exempt Debt to be includable for federal income tax purposes in the gross income of the Holders of such tax-exempt Debt. The Trustee may, from time to time, rely on an opinion of Bond Counsel as to compliance with the requirements of the tax covenants of the Original Indenture.

(c) *Rebate*. The Authority agrees that there will be paid from time to time all amounts required to be paid to the United States pursuant to Section 148 of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to a series of tax-exempt Debt from time to time.

(d) *Compliance with Federal Tax Certificate*. In furtherance of the foregoing tax covenants of the Original Indenture, the Authority covenants that it will comply with the provisions of its Federal Tax Certificates, which are incorporated in the Indenture as if fully set forth therein. These covenants shall survive payment in full or defeasance of any tax-exempt Debt issued under the Indenture.

EVENTS OF DEFAULT AND REMEDIES

Events of Default Defined

Each of the following shall be an “Event of Default” under the Indenture;

(a) If payment of the principal or Redemption Price of any Debt is not made when it becomes due and payable at maturity or upon call for redemption; or

(b) If payment of any installment of interest on any Debt is not made when it becomes due and payable; or

(c) Reserved; or

(d) If the Authority fails to comply with any provision of the Act and such failure continues for a period of thirty (30) days, or the Authority for any reason is rendered incapable of fulfilling its obligations under the Indenture or thereunder; or

(e) If the Authority defaults in the due and punctual performance of any other covenant in any Debt obligation or in the Indenture and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Authority and the City by the Trustee; or

(f) If any event of default under and as defined in any Security Lease shall have occurred and be continuing; or

(g) If the City shall (i) suffer or permit proceedings under any law relating to bankruptcy, insolvency or reorganization or the relief of debtors to be instituted against it, and such proceedings remain undismissed or pending or unstayed for a period of 45 days or (ii) file a petition, or otherwise institute, or consent to the institution against it of proceedings to take advantage of any law relating to bankruptcy, insolvency or reorganization or the relief of debtors.

Acceleration and Annulment Thereof

(a) If any Event of Default under clause (a), (b) or (c) under the Original Indenture as described above under "EVENTS OF DEFAULTS AND REMEDIES – Events of Default Defined" occurs, the trustee shall, and if any other Event of Default occurs the Trustee may in its discretion, and upon request of the Holders of 100% in principal amount of the Debt then Outstanding shall, by notice in writing to the Authority, declare the principal of all Debt then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with premium, if any, and interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Debt to the contrary notwithstanding.

(b) If after the principal of the Debt has been so declared to be due and payable, all arrears of interest upon the Debt (and interest on overdue installments of interest at the rate provided in the Debt) are paid by the Authority, and the Authority also performs all other things in respect to which there may have been a default under the Indenture and the Authority pays the reasonable charges and expenses of the Trustee, the Holders, and any trustee appointed under the Act, including reasonable attorney's fees and expenses, then, and in every such case, the Holders of a majority in aggregate principal amount of the Debt then Outstanding, by written notice to the Authority and to the Trustee, may annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Holders of Debt issued under the Indenture; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Enforcement by Trustee

If any Event of Default occurs and is continuing, the Trustee shall enforce each and every right granted to the Authority and pledged under the Indenture and with respect to those rents payable pursuant to the Eagles Prime Lease and the Phillies Prime Lease which have been assigned and pledged to the Trustee under the Indenture and any supplements or amendments thereto, and shall apply the Trust Estate to the payment of the principal of or interest on the Obligations.

Legal Proceedings by Trustee

If any Event of Default has occurred and is continuing, and has not been waived or cured, the Trustee, may, and upon the written request of the Holders of 25% in aggregate principal amount of the Debt then Outstanding and receipt of indemnity to its reasonable satisfaction shall, in its own name:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders, including the right to require the Authority to collect rentals and other charges, in respect of any agreement as to or pledge of the revenues or receipts of the Authority, and to require the Authority to carry out any other agreements with, or for the benefit of, the Holders and to perform its and their duties under the law;

(b) bring suit upon the Obligations, the Eagles Prime Lease or the Phillies Prime Lease (provided in the case of the Eagles Prime Lease and the Phillies Prime Lease, that such suit is limited to a cause of action related to those rents pledged and assigned under the Indenture and the rights and remedies related thereto assigned under the Indenture);

(c) by action or suit in equity require the Authority to account as if it were the Trustee of an express trust for the Holders;

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders;

(e) exercise any or all other rights and remedies provided for by the Act or by any other law or in equity; and

(f) exercise all rights and remedies granted under the Eagles Prime Lease and the Phillies Prime Lease (provided that in the case of the Eagles Prime Lease and the Phillies Prime Lease, that such exercise of rights and remedies is limited to those rents pledged and assigned under the Indenture and the rights and remedies related thereto assigned under the Indenture).

Discontinuance of Proceedings by Trustee

If any proceeding taken by the Trustee on account of any default is discontinued or is determined adversely to the Trustee, then the Authority, the Trustee and the Holders shall be restored to their former positions and rights under the Indenture as though no such proceeding had been taken.

Holders May Direct Proceeding

The Holders of a majority in aggregate principal amount of the Debt then Outstanding under the Indenture shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided that the Trustee is given indemnity reasonably satisfactory to it, that such directions shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitations on Actions by Holders

No Holder shall have any right to pursue any remedy under the Indenture unless (a) the Trustee shall have been given written notice of an Event of Default, (b) the Holders of at least 25% in aggregate principal amount of the Debt then Outstanding shall have requested the Trustee, in writing, to exercise the powers granted as described above or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity reasonably satisfactory to it against costs, expenses and liabilities, and (d) the Trustee shall have failed to comply with such request within a reasonable time; provided, however, that nothing in the Indenture shall affect or impair the right of any Holder of any Debt obligation to enforce payment of the principal of, premium, if any, or interest on its Debt, at and after the due date thereof, or the obligation of the Authority to pay such principal, premium, if any, and interest on each of the Debt obligations to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Indenture and in the Debt.

Trustee May Enforce Rights Without Possession of Debt Obligations

All rights under the Indenture and the Debt may be enforced by the Trustee without the possession of any Debt obligations or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the equal and ratable benefit of the Holders of the Debt.

Remedies Not Exclusive

No remedy conferred in the Indenture is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Delays and Omissions Not To Impair Rights

No delay or omission in respect of exercising any right or power accruing upon any Event of Default shall impair such right or power or be a waiver of such event of Default, and every remedy given by Article IX of the Indenture may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys In Event of Default

Following the occurrence and during the continuance of an Event of Default, all moneys then held by the Trustee or thereafter received by the Trustee under the Indenture shall be applied as follows:

(a) Before any amounts paid pursuant to the provisions of the Original Indenture described under subparagraphs (b), (c) and (d) under this sub-caption, such moneys shall first be applied to the payment of the accrued costs and expenses of the Trustee, including reasonable fees and expenses of counsel and all costs and disbursements allowed by a court if there be any court action.

(b) Unless the principal of all Obligations shall have become or shall have been declared due, and payable, all such moneys shall be applied:

FIRST - To the payment to the Persons entitled thereto of all installments of interest then due on the Obligations, in order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the Persons entitled thereto of the unpaid principal of any of the Obligations which shall have become due (other than Obligations called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in order of their due dates, with interest on such Obligations from the respective dates on which they became due and, if the amount available shall not be sufficient to pay in full the Obligations due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

(c) If the principal of all Obligations shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on the Obligations, without preference or priority of principal over interest or of interest over principal, or installment of interest over any other installment of interest, or any one Obligation over any other Obligation, and interest, to the Persons entitled thereto without any discrimination or privilege.

(d) If the principal of all Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled in the case of Debt, under the provisions of the Original Indenture, then subject to the provisions of the Original Indenture described above under subparagraph (c) (which shall be applicable in the event that the principal of all Obligations shall later become due or be declared due and payable), the money shall be applied in accordance with the provisions of the Original Indenture described under subparagraph (b) above.

Whenever moneys are to be applied pursuant to the provisions of the Original Indenture summarized under this sub-caption, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) on which such application is to be made and on such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Debt obligation until such Debt obligation shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of and interest on all Obligations has been paid under the provisions of the Original Indenture described under this sub-caption and all expenses and charges of the Trustee have been paid, any balance remaining in any of the funds and accounts shall be applied to the payment of any unpaid Authority Swap Payments that are due and owing, and second, shall be paid to the City.

Trustee's Right to Receiver; Compliance with Law

As provided by the Act, the Trustee shall be entitled as of right to the appointment of a receiver; and the Trustee, the Holders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act.

Trustee and Holders Entitled to All Remedies under Act

It is the purpose of Article IX of the Original Indenture to provide such remedies to the Trustee and the Holders as may be lawfully granted under the provisions of the Act; but should any remedy granted in the Indenture be held unlawful, the Trustee and the Holders shall nevertheless be entitled to every other remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of Article IX of the Original Indenture shall apply to and be binding upon the trustee or receiver appointed under the Act.

THE TRUSTEE

Acceptance of Trust

The Trustee accepts and agrees to execute the trusts created by the Indenture, but only upon the additional terms set forth in Article X of the Original Indenture, to all of which the parties to the Indenture and the Holders agree.

Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Negligence

The Trustee may exercise any powers under the Indenture and perform any duties required of it through attorneys, agents, officers, or employees, and shall be entitled to advice of counsel concerning all questions under the Indenture and shall be free from all liability for any action taken or omitted to be taken in reliance on such advice; and the Trustee shall not be answerable for the default or misconduct of any attorney, agent or employee selected by it with reasonable care, except that the Trustee shall at all times be answerable and responsible for any liability to the Authority resulting from any theft or loss of, or unauthorized or wrongful issuance of Debt held by it after an exchange as set forth in the Indenture. The Trustee shall not be answerable for the exercise of any discretion or power under the Indenture nor for anything whatever in connection with the trust thereunder, except only its own willful misconduct or negligence, except as otherwise provided in the provisions of the Original Indenture (summarized under this sub-caption).

Notice of Default; Right to Investigate

The Trustee shall, within thirty (30) days after the occurrence of an Event of Default describe under clauses (a), (b) or (c) above under "EVENTS OF DEFAULT AND REMEDIES – Events of Default Defined", and in the case of any other Event of Default within sixty (60) days after it has knowledge of such other Event of Default under the Indenture, give written notice by first class mail to the Owners of the Debt of all such Events of Default, unless such Events of Default have been remedied; provided that except in the case of a default in payment of principal or sinking fund payments on the Debt or interest on the Debt, the Trustee may withhold such notice as long as it in good faith determines that such withholding is in the interest of the Holders. The Trustee shall not be deemed to have notice of any Event of Default described under clauses (d) and (e) under "EVENTS OF DEFAULT AND REMEDIES – Events of Default Defined" unless the Trustee shall have actual knowledge thereof or unless notified in writing of such Events of Default by the Holders of at least 25% in aggregate principal amount of the Debt then Outstanding. The Trustee may, however, at any time, require of the Authority full information as to the performance of any covenant under the Indenture; and if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Authority, an investigation into the affairs of the Authority related to the Indenture and the properties covered thereby.

Obligation to Act on Defaults

If any Event of Default shall have occurred of which the Trustee has notice or is deemed to have notice under the Original Indenture, and be continuing, the Trustee shall exercise such of the rights and remedies vested in it by the Indenture and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided, that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity reasonably satisfactory to it; provided further, however, that the Trustee shall not require the furnishing of indemnity as a condition to the deposit and application of moneys in accordance with the Indenture (other than moneys in the Construction Fund). Nothing set forth in the provisions of the Original Indenture (summarized under this sub-caption) shall be construed to require the Trustee to exercise any such rights and remedies where to do so would cause the Trustee to violate any law or any order of a court of competent jurisdiction.

Reliance on Request for Funding and Requisitions, etc.

The Trustee may act on any request for funding requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper Persons or to have been prepared and furnished pursuant to any of the provisions of the Indenture; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

Trustee May Deal In and Own Debt

The Trustee and any of its affiliates may in good faith buy, sell, own, hold, and deal in any of the Debt and may join in any action which any Holders may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee and any of its affiliates may also engage in or be interested in any financial or other transaction with the Authority and/or the City, provided that if the Trustee determines that any such relation is in conflict with its duties under the Indenture, it shall eliminate the conflict or resign as Trustee.

Other Rights of the Trustee

The permissive rights of the Trustee to do things enumerated in the Indenture shall not be construed as a duty. The Trustee shall not be liable with respect to any action taken or omitted to be taken at the direction of the Owners of a majority in aggregate principal amount of the Debt Outstanding permitted to be given by them under the Indenture.

Resignation of Trustee

The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Secretary of the Authority and any bond insurer of the Debt not less than sixty (60) days before the date when such resignation is to take effect; provided notice of such resignation is mailed by first class mail, postage prepaid, to Holders not less than three weeks prior to the date when the resignation is to take effect and provided that such Trustee may not be discharged of its duties under the Indenture until a successor Trustee is appointed and accepts such appointment. Such resignation shall take effect on the day specified therein unless a successor Trustee is previously appointed and accepts such appointment, in which event the resignation shall take effect immediately on the appointment and acceptance of appointment of such successor.

If no appointment of a successor shall be made within sixty (60) days after notice is given by the Trustee in accordance with the provisions of the Original Indenture, the Trustee or any Holder at the expense of the Authority, may apply to any court of competent jurisdiction for the appointment of a successor. Thereupon, such court, after such notice as it may deem proper and may prescribe, may appoint a successor Trustee.

Removal of Trustee

The Trustee may be removed, upon sixty (60) days' notice, by an instrument, executed by the Authority or the Holders of a majority in aggregate principal amount of the Debt then Outstanding; provided that the Authority shall not have any right to remove the Trustee if an Event of Default under the

Indenture has occurred and is continuing; and provided further, that no such removal shall become effective until a successor trustee is appointed and accepts such appointment. Such removal shall take effect on the day specified therein unless a successor trustee is previously appointed and accepts such appointment, in which event the removal shall take effect immediately upon the appointment of and acceptance of appointment of such successor.

Appointment of Successor Trustee

If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the Authority with the prior written consent of any bond insurer of the Debt shall appoint a successor and shall mail promptly notice of such appointment to the Owners of the Debt. If the Authority fails to make such appointment within thirty (30) days, the Holders of a majority in principal amount of the Debt then Outstanding may do so with the prior written consent of any bond insurer of the Debt.

Qualification of Successor

A successor trustee shall be a national bank with trust powers or a bank and trust company or a trust company having capital and surplus of at least $50,000,000.

Merger of Trustee

Any corporation or association into which any Trustee under the Indenture may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which any Trustee under the Indenture shall be a party or any corporation or association to which the Trustee shall sell or otherwise transfer all or substantially all of its corporate trust business, shall be the successor Trustee under the Indenture, without the execution or filing of any paper or any further act on the part of the parties thereto, anything therein to the contrary notwithstanding, provided that such successor corporation or association continuing to act as Trustee shall meet the requirements of the Original Indenture (summarized under the previous sub-caption), and if such corporation or association does not meet the aforesaid requirements, a successor Trustee shall be appointed pursuant to Article X of the Original Indenture.

AMENDMENTS AND SUPPLEMENTS

Amendments and Supplements Without Holders' Consent

The Indenture may be amended or supplemented in connection with the issuance of Additional Debt, or at any other time and from time to time, without the consent of the Holders, but with the prior written consent of any bond insurer of the Debt (except in the case of the issuance of Additional Debt), by a Supplemental Indenture authorized by a Certified Resolution of the Authority delivered to the Trustee, for one or more of the following purposes:

(a) to set forth any or all of the matters in connection with the issuance of Additional Debt required by the Original Indenture;

(b) to add additional covenants of the Authority or to surrender any right or power conferred in the Indenture upon the Authority;

(c) to cure any ambiguity, inconsistency, or omission or to cure, correct or supplement any provision of the Indenture in such manner as shall not be inconsistent with the Indenture and shall not impair the security thereof or materially adversely affect the Holders;

(d) to supplement the security for the Notes or any Additional Debt, replace or provide additional credit facilities, or change the form of the Notes or make such other changes in the provisions of the Indenture, as the Authority may deem necessary or desirable and which shall not, in the judgment of the Authority, materially adversely affect the interests of the Owners of the Outstanding Debt;

(e) to make any changes or amendments requested by any bond rating agency then rating or requested to rate the Debt, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Authority, materially adversely affect the interests of the Owners of the Outstanding Debt; or

(f) to preserve the exemption from federal income tax of interest on any tax-exempt Debt.

Pursuant to the provisions described under subparagraph (d) above, the execution of a Supplemental Indenture adding any Security Leases to the Trust Estate and making certain corresponding changes in the Indenture shall be deemed an amendment pursuant to the Original Indenture, which does not require the consent of the Holders (but which does require the consent of any bond insurer of the Debt).

Amendments With Holders' Consent

The Indenture may be amended from time to time, except with respect to (1) the interest on and principal payable upon any Debt, (2) the dates of maturity or redemption provisions of any Debt, and (3) the amendments and supplements article of the Original Indenture, by a Supplemental Indenture approved by the Holders of at least a majority in aggregate principal amount of the Debt then Outstanding and approved by any bond insurer of the Debt in writing, provided, that no amendment shall be made which adversely affects one or more but less than all series of Debt without the consent of the Holders of at least a majority in aggregate principal amount of the then Outstanding Debt of each series so affected, and no amendment shall be made which affects the rights of some but less than all the Outstanding Debt of any one series without the consent of the Holders of a majority in aggregate principal amount of the Debt so affected. Amendment with respect to items (1), (2), and (3) described above under this sub-caption shall be effected only with the consent of the Holders of all Debt then Outstanding which are affected by such amendments.

DEFEASANCE

Defeasance

When interest on, and principal or Redemption Price (as the case may be) of all Debt issued under the Indenture or secured thereby have been paid, or there shall have been deposited with the Trustee an amount of (i) cash in an amount sufficient to pay in full the principal of and interest on the Debt, and all other sums payable under the Indenture by the Authority, (ii) non-callable Government Obligations, the principal of and interest on which, when due, will provide sufficient moneys without reinvestment to pay in full the principal of and interest on the Debt, as well as all other sums payable under the Indenture by the Authority, or (iii) any combination of the foregoing, then the right, title and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on demand of the Authority, shall release the Trust Estate from the lien and security interest created by the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such Person as may be entitled to receive the same all balances remaining in any funds under the Indenture and the Trustee's right, title and interest to and under the Security Leases shall terminate.

The Trustee shall also receive evidence satisfactory to it that the cash and Government Obligations delivered will be sufficient to provide for the payment of the Debt as aforesaid. Neither the Government Obligations nor moneys deposited with the Trustee pursuant to the defeasance provisions of the Original Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or Redemption Price of, and interest on, the Debt and the other sums payable under the Indenture by the Authority with respect to which such deposit has been made. The Trustee shall send, by registered or first-class mail, postage prepaid, to the Holders of all Debt at their registered addresses a notice stating that such moneys or obligations have been deposited and identifying the Debt for the payment of which such moneys or obligations are being held.

In addition, the Fifth Supplemental Indenture sets forth certain requirements related to the defeasance of the 2007B Bonds particular to their multi-modal status including the provision of interest at the applicable maximum rate while in certain variable rate modes.

MISCELLANEOUS

Deposit of Funds for Payment of Debt

If the Authority deposits with the Trustee moneys or Government Obligations sufficient to pay the principal or Redemption Price of any Debt becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on such Debt shall cease to accrue on the due date and all liability of the Authority with respect to such Debt shall cease, except as provided in the Indenture. Thereafter the Holders of such Debt shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Debt, and the Trustee shall hold such funds in trust for such Holders. Moneys so deposited with the Trustee which remain unclaimed two years after the date payment thereof becomes due shall, upon the written request of the Authority, if the Authority is not at the time, to the knowledge of the Trustee, in default with respect to any covenant in the Indenture or the Debt, be paid to the Authority for and on account of the City; and the Holders of the Debt for which the deposit was made shall thereafter be limited to a claim against the Authority. In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to the provisions of the Original Indenture summarized under this sub-caption shall be held uninvested and without liability for interest thereon.

THE FIRST SUPPLEMENTAL INDENTURE
REVENUES THEIR APPLICATION AND CERTAIN FUNDS

Creation of the Bond Fund

The First Supplemental Indenture created and established with the Trustee a Bond Fund and provided for the deposit of certain payments into it. Such provisions were subsequently amended. See "Creation of Bond Fund" and "Payments into the Bond Fund" under "THE SECOND SUPPLEMENTAL INDENTURE" below.

Application of Bond Fund

(a) The First Supplemental Indenture established an order of application of the Bond Fund which was amended by the Second Supplemental Indenture. See "THE SECOND SUPPLEMENTAL INDENTURE – Application of Bond Fund" below.

(b) Moneys deposited pursuant to the provisions of the Original Indenture relating to the completion of any Additional Project, and any income or other gain from the investment thereof, shall be held in trust for, deposited into the Principal Account, the Interest Account or the Bond Redemption Account, as the Authority shall direct in writing, and applied by the Trustee to, the payment of the principal of and interest on the Bonds on the next due date.

Bond Redemption Accounts

The Trustee shall establish as a part of the Bond Fund, such bond redemption accounts for series of additional Bonds as may be directed in the Certified Resolution of the Authority or Supplemental Indenture establishing such series and shall transfer funds into such bond redemption accounts from the Bond Fund as required to redeem Bonds on the dates specified in the First Supplemental Indenture or in the form of the Bond. The Trustee shall use the bond redemption account for each series to purchase or redeem the Bonds of such series. If at any time all the Bonds of any series shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the bond redemption account for such series and shall transfer any balance then in such account to the Bond Fund. Whenever Bonds are to be purchased out of any such redemption account, if the Authority, upon the direction of the City, shall notify the Trustee in writing that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture. Purchases and redemptions out of such redemption accounts shall be made as provided in the Supplemental Indenture establishing the related series of Bonds.

MISCELLANEOUS

Closure of Notes Program

Upon the execution and delivery of the First Supplemental Indenture, the Authority does not issue any Notes under the Indenture.

THE SECOND SUPPLEMENTAL INDENTURE

Receipts and Revenues of the Authority

The definition of Trust Estate under the Original Indenture is amended to include payments received by the Authority from a Counterparty under any swap agreement entered into by the Authority in connection with Bonds issued under the Indenture.

Lien on Trust Estate

The granting paragraph of the Original Indenture is amended to grant a lien (subordinate to the lien granted on an equal and ratable basis to holders of Debt) for the benefit of the Counterparty for the payment and performance of the Authority's obligations under any swap agreement entered into by the Authority in connection with Bonds issued under the Indenture thereunder.

Creation of Bond Fund

Amending the First Supplemental Indenture, there is established and created under the Second Supplemental Indenture with the Trustee a Bond Fund which shall be used to pay, in the following order of priority, (i) principal or Redemption Price of and interest on the Series 2001 Bonds and any additional Bonds, and (ii) payments due any Counterparty under a Swap relating to the Bonds. There is created pursuant to the Second Supplemental Indenture within the Bond Fund, an Interest Account, Principal Account, Bond Redemption Account, Swap Receipts Account and Swap Payments Account.

Payments Into Bond Fund

The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) All revenues and any other moneys payable under the Security Leases and pledged under the Indenture.

(b) Net income or gain received and collected from investments of money in the Bond Fund.

(c) All Authority Swap Receipts which shall be deposited to the credit of the Swap Receipts Accounts in the Bond Fund.

(d) All other receipts when and if required by the Security Leases or by the indenture to be paid into the Bond Fund and any other amount it received by the Trustee constituting the Trust Estate or other payment as under the Indenture (except proceeds of Additional Debt).

Application of Bond Fund

(a) The Trustee shall make available from amounts deposited under the Second Supplemental Indenture, first, funds to the Authority's Paying Agent or Agents to pay the principal of Bonds as they mature or are subject to mandatory redemption, upon surrender thereof, and the interest on Bonds as it becomes payable, and second, to pay to any Counterparty, as and when due, Authority Swap Payments. The Trustee shall establish separate accounts within the Bond Fund, including those accounts created pursuant to the Second Supplemental Indenture, for separate series of Bonds of particular dates. Moneys in the Bond Fund shall be used solely for the payment of the principal or Redemption Price of and interest on the Bonds as the same shall become due and payable at maturity, upon redemption or otherwise, and Authority Swap Payments. Funds for such payments of the principal or Redemption Price of and interest on the Bonds shall be derived from, and paid by the Trustee from, the following sources in the order of priority indicated:

(i) moneys transferred from the Capitalized Interest Account for payment of interest shall be deposited in the appropriate Interest Account and applied to the payment of interest next due on the Bonds;

(ii) certain amounts deposited into the Bond Fund related to the completion of projects;

(iii) amounts deposited into the Swap Receipts Account of the Bond Fund for payment of interest on the Bonds: and

(iv) any other moneys received by the Trustee, including moneys received by the Trustee pursuant to the Security Leases.

(b) Following payment of the principal or Redemption Price of and interest on the Bonds as and when due, the Trustee shall deposit in the Swap Payment Account, from moneys received from the City under the Security Leases, a sum sufficient to pay any Authority Swap payment then due and owing, and shall apply such funds to payment of such Authority Swap Payment.

THE THIRD SUPPLEMENTAL INDENTURE AND THE FOURTH SUPPLEMENTAL INDENTURE

The Third Supplemental Indenture and the Fourth Supplemental Indenture were amended and restated in their entirety by the Fifth Supplemental Indenture.

THE FIFTH SUPPLEMENTAL INDENTURE

(Related to 2007B Bonds)

Purchase Fund

The Fifth Supplemental Indenture establishes and maintains with the Tender Agent, as agent for the Trustee, a separate fund designated the "Purchase Fund." The Tender Agent shall further establish within the Purchase Fund to be designated the "Liquidity Facility Purchase Account," the "Remarketing Proceeds Account" and the "Authority Purchase Account," respectively and within such account, separate subaccounts in respect to the applicable 2007B Bonds. The Purchase Fund is not intended as a source of payment for the 2019 Bonds.

Receipts and Revenues of the Authority-

The Fifth Supplemental Indenture confirmed the Trust Estate of the Existing Indenture and the grant pursuant thereto in trust nevertheless, for (i) the equal and ratable benefit and security of all then present and future Holders of the Debt issued and to be issued under the Indenture, without preference, priority or distinction as to lien or otherwise (except as otherwise specifically provided therein) of any one Debt obligation over any other Debt obligation upon the terms and subject to the conditions thereafter set forth and (ii) on a subordinate basis, the counterparty under a swap, for the payment and performance of the Authority's obligations thereunder.

Bond Redemption Account

The Trustee has established as a part of the Bond Fund, a 2007 Bond Redemption Account and will transfer funds into such 2007 Bond Redemption Account from the Bond Fund as required to redeem (or purchase) 2007B Bonds on the dates specified under the Indenture or in the 2007B Bonds.

THE SIXTH SUPPLEMENTAL TRUST INDENTURE

The Sixth Supplemental Trust Indenture provided for the issuance of the 2014A Bonds which are expected to be refunded in connection with the issuance of the 2019 Bonds.

THE SEVENTH SUPPLEMENTAL TRUST INDENTURE

The Seventh Supplemental Indenture provided for the issuance of certain prior Bonds which have been previously retired.

THE EIGHTH SUPPLEMENTAL TRUST INDENTURE

Confirming the granting clauses of the existing Indenture and of the Eighth Supplemental Indenture, the Authority thereby assigns, transfers and sets over to the Trustee, as security, all the right, title and interest of the Authority in and to the Trust Estate as described above in the Indenture, and the Authority directs payment to the Trustee of those payments under the Security Leases constituting a portion of the Trust Estate. The Construction Fund is not pledged as security for the 2019 Bonds and does not constitute part of the "Trust Estate" for purposes of the Indenture.

Such grant is for (i) the equal and ratable benefit and security of all present and future Holders of the Debt issued and to be issued under the Indenture, without preference, priority or distinction as to lien or otherwise (except as otherwise specifically provided in the Indenture and therein) of any one Debt obligation over any other Debt obligation upon the terms and subject to the conditions of the Indenture, and (ii) on a subordinate basis, the Counterparty under a Swap, for the payment and performance of the Authority's obligations thereunder.

Prior to any transfer of the 2019 Bonds outside the Book-Entry Only system (including, but not limited to, the initial transfer outside the Book-Entry Only system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

PRIME LEASE
(EAGLES STADIUM LAND & IMPROVEMENTS)

The following description of certain provisions of the Prime Lease (EAGLES STADIUM LAND & IMPROVEMENTS) (the "Prime Lease" when under this caption "PRIME LEASE (EAGLES STADIUM LAND & IMPROVEMENTS") set forth below is only an outline of some of the provisions thereof and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Prime Lease in its entirely, copies of which are on file at the corporate trust office of the Trustee in Philadelphia. Pennsylvania, for the complete statements of the provisions thereof.

DEFINITION OF TERMS

Wherever used in the Prime Lease, the following terms shall have the following meanings:

"Act" shall mean Economic Development Financing Law, Act No. 102 of the General Assembly of the Commonwealth of Pennsylvania approved August 23, 1967 (P.L. 251), as amended and supplemented.

"Act of Bankruptcy" shall mean that (i) a party shall have commenced a voluntary case under any bankruptcy law, applied for or consented to the appointment of, or taking of possession by, a receiver, trustee, assignee, custodian or liquidator of all or a substantial part of its assets, (ii) a party shall have failed, or admitted in writing its inability generally, to pay its debts as such debts become due, (iii) a party shall have made a general assignment for the benefit of creditors, (iv) a party shall have been adjudicated a bankrupt, or shall have filed a petition or an answer seeking an arrangement with creditors, (v) a party shall have taken advantage of any insolvency law, or shall have submitted an answer admitting the material allegations of a petition in bankruptcy or insolvency proceeding, (vi) an order, judgment or decree for relief shall have been entered in an involuntary case against a party, without the application, approval or consent of such party, by any court of competent jurisdiction appointing a receiver, trustee, assignee, custodian or liquidator, for the party or for a substantial part of any of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days, or (vii) an involuntary petition in bankruptcy shall have continued un-dismissed for sixty (60) days after the filing thereof.

"Additional Land" shall mean, collectively, the land which has a use functionally related and accessory to the Eagles Stadium Premises and shall mean, for the purposes of the Prime Lease, collectively, the land known as the "Acme Site", as more particularly described on Exhibit "C" of the Prime Lease and the land known as the "Naval Hospital Parking Lot" as more particularly described on Exhibit "D" of the Prime Lease.

"Additional Rent" shall mean all sums payable by the City under the Prime Lease other than (and in addition to) the Rent (defined below).

"Affiliate" or "Affiliates" shall mean as to any Person, any other Person controlled by, controlling of, or under common control with such Person.

"Applicable Laws" shall mean the constitution and laws of the United States of America, the constitution and laws of the Commonwealth of Pennsylvania and all rules and regulations promulgated pursuant thereto, and shall include but not be limited to the Home Rule Charter of the City of Philadelphia and the City of Philadelphia Code.

"Authority" shall mean the Philadelphia Authority for Industrial Development, a body politic and corporate existing under the laws of the Commonwealth.

"Authority Contractual Commitments" shall mean obligations of the Authority as set forth in the Eagles Lease including reimbursement of operating and maintenance expenses with respect to the Eagles Stadium Premises in accordance with the schedule set forth as attached thereto and reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Eagles in excess of the base amount to be set forth in the Eagles Lease.

"Bonds" shall mean those bonds, notes or other forms of indebtedness issued for the purpose of financing refinancing a portion of the Eagles Stadium Premises, Additional Land, demolition, site preparation, improvements and infrastructure in connection therewith and a portion of any and all other costs incurred in connection with the sports stadia, in an aggregate principal amount not to exceed One Hundred One Million Five Hundred Thousand Dollars ($101,500,000) net of original issue discount, plus amounts necessary for any reserves, capitalized interest, costs of issuance, amounts necessary to effect any refunding and such amount as may be finally determined to be owed to any condemnees as Just Compensation (as defined in the Pennsylvania Eminent Domain Code), at any one time outstanding; provided that in no event shall the term of each series of Bonds exceed thirty (30) years from the date of issuance of such series of Bonds, provided further that in the case of any series of refunding bonds the term of such Bonds shall not exceed thirty (30) years from the date of issue of the Bonds to be refunded.

"City" shall mean the City of Philadelphia, a City of the First Class of the Commonwealth acting through its Commerce Department and Department of Public Property.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Credit Facility" shall mean any letter of credit, liquidity facility, standby bond purchase agreement, line of credit, surety bond. Insurance commitment, insurance policy or similar agreement with respect to the Bonds and any credit, loan or reimbursement agreement or other obligation of the Authority to the Credit Facility Provider in connection therewith, and all documents collateral thereto, as may be substituted from time to time.

"Credit Facility Provider" shall mean the provider of any Credit Facility as may be substituted from time to time.

"Eagles" shall mean the Philadelphia Eagles Limited Partnership or its successor as holder of the franchise or controlled affiliate, which is the holder of the franchise for the City issued by the National Football League and is the owner of the professional football team known as the Philadelphia Eagles.

"Eagles Lease" shall mean the Sublease and Development Agreement entered into between the Authority, as landlord, and the Eagles, as tenant, pursuant to which the Authority will lease and that the Eagles will take and hire the Eagles Stadium Land and to construct thereon certain structures and improvements including, but not limited to, a new stadium and the Improvements.

"Eagles Lease-Back Lease" shall mean that certain lease by and between the City, as landlord, and the Authority, as tenant, dated of the same date as the Prime Lease with respect to the Eagles Stadium Premises.

"Eagles Stadium" shall mean the football stadium constructed on the Eagles Stadium Land as contemplated by the Eagles Lease.

"Eagles Stadium Land" shall mean the land more particularly described and depicted in Exhibit "A" to the Prime Lease and any and all appurtenances, easements, rights, licenses, hereditaments and privileges as may in any way belong to or appertain thereto or inure to the benefit thereof.

"Eagles Stadium Premises" shall mean the Eagles Stadium Land and the Improvements, together with all improvements and appurtenances now existing or in the future constructed thereon.

"Fiscal Year" shall mean July 1 through and including June 30 of the following calendar year.

"Force Majeure Event" shall mean any event (except for the payment of money) which is beyond the reasonable control of, and is not caused by the fault or negligence of, the party asserting the Force Majeure, which wholly or partially prevents the performance of any of the duties, responsibilities or obligations of the party asserting the Force Majeure and the term "Force Majeure" shall include, but not be limited to, an act of God, an act of the public enemy, lightning, fire, explosion or other serious casualty, unusually severe weather (such as hurricane, earthquake, tornado, landslide or flood), war (whether declared or not), or condemnation or other taking by the action of any governmental body on behalf of any public, quasi-governmental or private entity.

"Ground Lease" shall mean that certain Ground Lease dated April 1, 2001 between the City, as landlord, and the Authority, as tenant, pursuant to which the City has agreed to lease and the Authority agreed to take and hire the Eagles Stadium Land.

"Improvements" shall mean the structures and improvements constructed on the Eagles Stadium Land, including but not limited to a stadium and related improvements and amenities.

"Indenture" shall mean one or more instruments executed and delivered by and between the Authority and the Trustee (defined below) governing the issuance and administration of the Bonds for the benefit of the holders thereof.

"Person" shall mean an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, estate, unincorporated association, joint venture or any other entity, the United States, a state, or political subdivision thereof, or any agency, department or court thereof.

"Prime Lease" shall mean the Prime Lease between the Authority and the Eagles dated April 1, 2001.

"Team" shall mean the Eagles together with any successor as holder of the franchise or controlled affiliate.

"Transaction Documents" shall mean the Ground Lease, the Prime Lease, the Eagles Lease-Back Lease, the Eagles Lease, the Indenture, the Bonds, the Credit Facility, any bond purchase contract and documents collateral thereto, and any other financing documents and other related documents.

"Trustee" shall mean the bank or other institutional lending entity acting as trustee under the Indenture governing the Bonds.

DEMISE OF EAGLES STADIUM PREMISES

Demise of Eagles Stadium Premises

On the Commencement Date, in consideration of the Rent and Additional Rent thereafter reserved and the terms, covenants, conditions and agreements set forth in the Prime Lease, the Authority demises and lets unto City, and City hires and leases from the Authority, the Eagles Stadium Premises and any other improvements and appurtenances then existing or in the future constructed on the Eagles Stadium Premises, for the Prime Lease Term, upon and subject to the conditions, terms, agreements and covenants set forth therein. At all times during the Prime Lease Term, ownership of and title to the Eagles Stadium Land shall be and remain in the City, subject to the Authority's leasehold under the Ground Lease, the City's leasehold under the Prime Lease, and the other leaseholds contemplated thereby; and ownership and title to the Eagles Stadium Premises (excluding the Eagles Stadium Land) and all other improvements and appurtenances on the Eagles Stadium Premises, whether then existing or thereafter constructed, shall be and remain in the Authority, subject to the interests of the Eagles and its Affiliates to be granted and established in the Eagles Lease.

PRIME LEASE TERM

Prime Lease Term

The term of the Prime Lease (the "Prime Lease Term") shall commence upon the earlier to occur of the date on which (a) the Eagles Stadium Land is acquired by the City, or (b) the Bonds are issued ("Commencement Date"), and shall expire on the later of: (A) the date which is thirty (30) days after the expiration or earlier termination of the term to be set forth in the Eagles Lease, as it may be renewed or extended, or (B) the date which is thirty (30) days after the last of the Bonds are no longer outstanding under the Indenture and there shall have been a defeasance of the lien of the Indenture and the Authority's obligations under the Indenture have been duly terminated pursuant to its terms and there is no outstanding obligation under any Credit Facility, or (C) such later date as may be necessary for the Authority, acting diligently, to comply with any covenant, condition, term or provision of the Indenture or to be set forth in Eagles Lease, or to exercise any of the remedies provided to the Authority therein for the benefit of the Trustee under the Indenture.

RENT

Rent

In consideration of the Authority's entering into the Ground Lease, the Prime Lease and the Eagles Lease-Back Lease Agreement, including but not limited to its obligation with respect to any financing or refinancing of the obligations undertaken by the Authority under the Prime Lease or under the Eagles Lease, such as the sale of the Bonds, the City thereby agrees to pay as rent ("Rent") to the Authority, or the Trustee or the Credit Facility Provider on behalf of the Authority, as thereafter described, the following amounts (all of which together shall constitute Rent) in the following order of payment priority:

An amount necessary to meet the Authority Contractual Commitments, constituting the operating and maintenance expenses with respect to the Eagles Stadium Premises in the amounts set forth on Exhibit F of the Prime Lease.

When the Authority issues its Bonds, then:

(1) for deposit in accordance with the Indenture, at least one business day prior to each date that principal of and premium, if any, and interest on the Bonds, or any portion thereof, shall be due and payable, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture), an amount which, together with other moneys under the Indenture available therefor is sufficient to make the Authority's required payments of principal of, premium, if any, and interest on the Bonds then becoming due, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture) until the principal of, or redemption premium, if any, and interest on the Bonds shall have been paid in full or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture; and

(2) for deposit in accordance with the Indenture or Credit Facility, in the manner provided therein, the amounts required to satisfy the timely payment (other than by acceleration) of any reimbursement obligation (including interest thereon) and any fees, expenses, charges and indemnification pursuant to the Credit Facility and related documentation; and

(3) payments required pursuant to any swap agreements; and

(4) additionally, from time to time, certain amounts due in connection with the issuance of Bonds in connection with the Eagles Stadium Premises on behalf of the Authority; and

(5) additionally, from time to time, the City shall be required to make payments necessary to make up any deficiency in the funds established under the Indenture (other than as a result of acceleration under the Indenture or Credit Facility), including an amount which is sufficient to make any payment required to be made by the Authority to the United States Treasury, as provided in the Indenture, as determined and specified in writing by the City, other than as stated in (1) above, and to make payments to reimburse the Authority for any premiums paid for insurance policies purchased by the Authority, to the extent that the City has funds appropriated for such purposes in such Fiscal Year; and

(6) all Rent payable under subparagraphs (1) through (5) above shall be paid in immediately available funds and held, invested, disbursed and applied as provided in the Indenture or any Credit Facility, provided, however, that, on or before forty-five (45) days prior to any Sinking Fund Installment Date, the City may deliver to the Trustee, Bonds of a maturity, a portion of which is required to be redeemed by the Trustee on such Sinking Fund Installment Date, and the Rent required to effect

such redemption otherwise due from the City shall be reduced by the aggregate principal amount of the Bonds so delivered, up to the full amount of such Sinking Fund Installment; and

(7) the Authority directs the City to pay the Rent due under Section 4.1(b) of the Prime Lease (i.e., when the Authority issues its Bonds) (other than fees, expenses and indemnities owing to the Credit Facility Provider) to the Trustee to which, under the terms of the Prime Lease and of the Indenture, the Prime Lease (as provided in the Indenture) and the Rent due under Section 4.1(b) of the Prime Lease (other than fees, expenses and indemnities owing to the Credit Facility Provider) are assigned. That portion of the Rent due under Section 4.1(b) of the Prime Lease representing fees, expenses and indemnities owing to the Credit Facility Provider shall be paid by the City, directly to the Credit Facility Provider; and

(8) except for Rent due during the period with respect to which the Notes are Outstanding (each as defined in the Indenture), which Rent shall be determined from time to time, the Rent due under Section 4.1(b) of the Prime Lease shall be determined on an annual basis by the City Treasurer for each fiscal year of the City based upon the principal amount of Outstanding Bonds issued under the Indenture.

An amount necessary to fulfill the Authority Contractual Commitments (other than those set forth in Section 4.1(a) of the Prime Lease), including reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Eagles in excess of the base amounts to be set forth in the Eagles Lease, the PILOT Agreement, or the Use and Occupancy Tax Settlement Agreement (the PILOT Agreement and the Use and Occupancy Tax Settlement Agreement being defined in and attached to the Eagles Lease).

If the monies available to the Authority to meet its requirements under the Indenture or under the Bonds are insufficient to pay the Authority's obligations thereunder, then the City upon demand shall pay to the Authority or its assigns under and pursuant to the Prime Lease, such additional sum or sums, in each Fiscal Year as are required for such purposes, subject to the provisions of Section 4.2(a) of the Prime Lease (described under the following caption below). **Notwithstanding, any provision to the contrary, there shall be no acceleration of the Rent payments under the Prime Lease.**

Notwithstanding any other provision of the Prime Lease, the City's obligation to pay the Rent as set forth in Section 4.1(b) of the Prime Lease shall terminate upon the date ("Partial Rent Termination Date") upon which neither the Bonds nor any obligations under the Credit Facility are outstanding, and there shall have been a defeasance of the lien of the Indenture. During the remainder of the Prime Lease Term following such date, Rent shall mean the sum of One Dollar ($1.00) per year plus the Authority Contractual Commitments as set forth in the Prime Lease.

The City may make payments in advance at any time, on account of Rent payable under Section 4.1(b) of the Prime Lease, in one or more prepayment installments, which amounts shall be credited against the Rent at the time next due, unless otherwise directed by the City. All such prepayments shall be deposited in accordance with the Indenture.

Notwithstanding anything in the Prime Lease to the contrary, the Rent under Section 4.1(b) of the Prime Lease may also secure indebtedness issued pursuant to the Indenture in addition to the Bonds.

Additional debt issued for the purposes for which the Bonds may be issued, may be issued only through an amendment to the Prime Lease, to the extent that such additional debt exceeds the authorized amount set forth in the definition of "Bonds" therein (the foregoing shall not be construed as a limitation of any approval of the City Council of the City that may be required with respect to any such amendment).

Manner of Rent and Additional Rent Payment by City; Appropriations; Failure to Pay Rent and Additional Rent

The Rent and Additional Rent shall be payable only out of the current revenues of the City and the City agrees to provide for payment of the Rent and Additional Rent and include the same in the City's annual operating budget for each Fiscal Year of the City. If the current revenues of the City are insufficient to pay the Rent and Additional Rent in any Fiscal Year as the same becomes due and payable, the City shall include amounts not so paid in the City's operating budget for the ensuing Fiscal Year and shall produce sufficient current revenues to pay in the ensuing Fiscal Year such balance due for the preceding Fiscal Year in addition to the amount of Rent and Additional Rent due for the ensuing Fiscal Year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required to make all Rent and Additional Rent payments due and payable under the Prime Lease and all payments due under the Prime Lease in each of the City's Fiscal Years.

The failure of the City to make any payment of Rent and Additional Rent or any other amounts due pursuant to the Prime Lease on the date specified for payment shall constitute a default under the Prime Lease

Assignment by Authority

The Authority may assign all right, title and interest of the Authority in and to the right to receive the Rent under Section 4.1(a) of the Prime Lease to a trustee or the Trustee and assign, transfer and set over all right, title and interest of the Authority in and to the right to receive the Rent under Section 4.1(b) of the Prime Lease to the Trustee and the rights and remedies related thereto, in trust. The City agrees to pay directly to the trustee or trustee, all Rent payable and assigned under Section 4.1(a) of the Prime Lease, and (c) agrees to pay directly to the Trustee all Rent under Section 4.1(b) of the Prime Lease (other than Rent payable under Section 4.1(b) of the Prime Lease in respect of the fees, expenses and indemnities owing to the Credit Facility Provider and such other amounts due under Section 18.2 of the Prime Lease) (described under the sub-caption "Bonds and Certain Tax Matters"), and directly to the Credit Facility Provider all Rent payable with respect to fees, expenses and indemnities owing to the Credit Facility Provider under the Credit Facility, in each case, without any defense, set-offs or counterclaim.

Assignment by the City

Prior to providing for the payment in full of outstanding Bonds or the earlier redemption thereof the defeasance of the lien of the Indenture, and the payment in full of any outstanding obligation under any Credit Facility, without the prior written consent of the Authority, the Trustee and the Credit Facility Provider, the City may not by operation of law or otherwise assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise dispose of the Prime Lease or any interest therein.

No Suspension or Abatement of Rent and Additional Rent

The City shall pay the Rent as required under the Prime Lease and Additional Rent without suspension or abatement of any nature. So long as (i) the Bonds remain outstanding, (ii) the lien of the Indenture has not been defeased, (iii) there exists any outstanding obligation under any Credit Facility, or

(iv) the Authority shall have any obligation to the Eagles under the Eagles Lease, the obligation of the City to pay the Rent and Additional Rent payable under the Prime Lease strictly in accordance with the terms of the Prime Lease shall be an absolute and unconditional, obligation of the City and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, and regardless of any rights of setoff, recoupment or counterclaim that the City might otherwise have against the Authority, the Eagles, the Credit Facility Provider or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise or take place after the date of the Prime Lease.

Notwithstanding any provision in the Prime Lease concerning the termination of the Prime Lease or the leasehold created therein, the City and Authority agree that, as long as (i) the Bonds are outstanding, (ii) the lien of the indenture has not been defeased, (iii) there exists any obligation under any Credit Facility, or (iv) the Authority shall have any obligation to the Eagles under the Eagles Lease, in pursuing their remedies under the Prime Lease they shall not terminate the Prime Lease or the leasehold created thereby or cease payment of the Rent and Additional Rent.

Assignments; City to Remain Obligated

Notwithstanding anything contained in the Prime Lease to the contrary, any assignment, subletting, use, occupancy or transfer under the Prime Lease shall not operate to relieve the City from any covenant or obligation under the Prime Lease, and City shall continue to remain primarily, jointly and severally liable and obligated for any and all covenants and obligations under the Prime Lease, including, but not limited to the obligations to pay Rent and Additional Rent pursuant to the terms of the Prime Lease.

CASUALTY

Terms of Eagles Lease Controls

In the event of casualty to some or all of the Eagles Stadium Premises, the terms and conditions to be set forth in the Eagles Lease regarding casualty shall control the parties' respective rights following such casualty; provided, however, that notwithstanding any damage or destruction to some or all of the Eagles Stadium Premises, the City shall continue to pay Rent and Additional Rent and to fulfill its covenants under the Prime Lease as if no such damage or destruction had occurred.

CONDEMNATION

Notice of Taking

The City and the Authority each agree to give the other written notice of any taking as a result of, or in lieu of, condemnation or the exercise of the power of eminent domain by any sovereign, municipality or any other public or private authority ("Taking") of all or any part of the Eagles Stadium Premises or any interest therein promptly alter such party receives notice thereof.

City Rent Obligation Continues

Notwithstanding any total Taking or partial Taking of the Eagles Stadium Premises or the leasehold estate created under the Prime Lease, whether temporary or permanent, the City's obligation to pay Rent and Additional Rent under the Prime Lease shall not be suspended, abated, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, and the City shall continue to pay Rent and Additional Rent under the Prime Lease as if no such Taking had occurred.

DEFAULTS AND REMEDIES

Defaults

Each of the following shall constitute an "Event of Default" by the City under the Prime Lease:

(a) Any failure by the City to pay Rent or any other amount, charge, fee or sum required to be paid by the City under the Prime Lease when due;

(b) Any Act of Bankruptcy by the City;

(c) Any failure by the City to observe or perform any of the terms, covenants, agreements, provisions, conditions or limitations contained in the Prime Lease.

Remedies

Upon the occurrence of an Event of Default by City and at any time thereafter, the Authority shall have, in addition to all other rights available to the Authority at law or in equity, the following rights and remedies:

(a) To institute any and all proceedings permitted by law or equity including, but not limited to, an action to enjoin a violation of the Prime Lease by the City or to compel specific performance of the Prime Lease by the City;

(b) To seek and obtain, and the City thereby consents to the entry of a temporary restraining order, together with such other temporary, preliminary and permanent injunctive or other equitable relief, from any court of competent jurisdiction capable of issuing or granting such relief, to compel the City to comply with or refrain or cease from breaching or violating the terms, covenants and conditions of the Prime Lease, and with respect thereto, the City thereby waives any requirement that the Authority post a bond or other security in connection with such injunctive or other equitable relief; and

(c) To require that the City immediately pay all of the Authority's costs, charges and expenses, including, without limitation, court and other costs, expert fees, receiver and trustee's fees, consultant fees, all costs and expenses in connection with litigation, service and attorneys' fees, incurred in enforcing the City's obligations and the Authority's rights and remedies under the Prime Lease or incurred by the Authority in any litigation, negotiation of transaction in which the City causes the Authority, without the Authority's fault, to become involved or concerned.

Any provision of the Prime Lease to the contrary notwithstanding, under no circumstances shall the Authority's remedies include the right to cause an acceleration of all or any part of the Rent or a termination of the Prime Lease.

No Waiver

No failure or delay by the Authority to insist upon the strict performance of any term, covenant, agreement, provision, condition or limitation of the Prime Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance by the Authority of full or partial Rent or any other payment due under the Prime Lease during the continuance of any such breach (with or without knowledge of the breach), shall constitute or be construed to constitute a waiver of any such breach or of such term, covenant, agreement, provision, condition or limitation. No term, covenant, agreement, provision, condition or limitation of the Prime Lease to be kept, observed, or performed by City, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by the Authority. Any waiver of any breach shall be limited to the breach so waived, and shall not affect or alter the Prime Lease; each and every term, covenant agreement, provision and limitation of the Prime Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Authority's Rights Not Exclusive

No right or remedy therein conferred upon or reserved to the Authority is intended to be exclusive of any other right or remedy therein or by law or in equity provided, but each shall be cumulative and in addition to every other right or remedy given therein or then or thereafter existing at law or in equity or by statute.

CERTAIN COVENANTS

Bonds and Certain Tax Matters

The City agrees, in the event that Authority issues from time to time any Bonds in connection with the Eagles Stadium Premises: (a) to pay promptly on Authority's behalf reasonable compensation to the Trustee and the Credit Facility Provider for their services under the Indenture and the Credit Facility, respectively, relating to the Bonds and the Credit Facility, (b) to the extent that any Bonds are issued on a tax-exempt basis, to comply with all provisions of the Federal Tax Certificate applicable to it and take no action which would cause the interest on the Bonds to be includable in the gross income of Holders of the Bonds under the Code; and (c) to the extent that any Bonds are issued on a tax-exempt basis, to perform and satisfy, through the City Treasurer, the record keeping obligations of the Authority under the Federal Tax Certificate and to perform all monitoring, oversight, calculations and reporting required of the Authority under the Federal Tax Certificate to make any and all elections permitted to be made by Authority pursuant to the Code, and to comply with all requirements relating to rebate and make any required rebate payments to the United States Treasury.

City Covenants

The City covenants to perform its obligations under the Transaction Documents, including but not limited to the obligations imposed on the City pursuant to the Indenture.

MISCELLANEOUS

Amendments

The parties to the Prime Lease, from time to time may enter into any amendments thereto (which thereafter shall form a part thereof) without the consent of any other parties such as shall not adversely affect the rights of or the security of the Holders (as defined in the Indenture), only for the following purposes:

(a) To cure any ambiguity, defect or omission therein or in any amendment thereto or to supplement any provision thereof, provided such cure shall not materially adversely affect the Eagles, the Holders or the Credit Facility Provider; or

(b) To reflect a change in Applicable Law which shall not impair the security thereof or materially adversely affect the rights of the Holders, the Eagles or the Credit Facility Provider; or

(c) To provide for additional Rent thereunder to the extent necessary in connection with the issuance of additional debt; or

(d) To add to the covenants and agreements of the City therein contained, or to surrender any right or power therein reserved to or conferred upon the City which shall not impair the security thereof nor materially adversely affect the rights of the Eagles, the Holders or the Credit Facility Provider.

The Trustee, the Credit Facility Provider and the Eagles shall be provided notice of any amendments with respect to (a), (b), (c) and (d) of Section 19.15 (summarized under this sub-caption) of the Prime Lease. All other amendments must be approved by the Eagles, the Trustee (if the Trustee's approval is required in accordance with the Indenture) and the Credit Facility Provider (if the Credit Facility Provider's approval is required in accordance with the terms of the Credit Facility), and, if the Indenture must be amended with Holders' consent, the Holders, in the same manner and to the same extent as is set forth in the applicable Article of the Indenture.

Notwithstanding the foregoing, the Authority shall not amend the Prime Lease: other than as provided in the Indenture.

PRIME LEASE

(PHILLIES BALLPARK LAND & IMPROVEMENTS)

The following description of certain provisions of the Prime Lease (PHILLIES BALLPARK LAND & IMPROVEMENTS) (the "Prime Lease" when used under this caption "PRIME LEASE (PHILLIES BALLPARK LAND & IMPROVEMENTS)") set forth below is only an outline of some of the provisions thereof and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Prime Lease in its entirety, copies of which are on file at the corporate trust office of the Trustee in Philadelphia. Pennsylvania, for the complete statements of the provisions thereof.

DEFINITION OF TERMS

Wherever used in the Prime Lease, the following terms shall have the following meanings:

"Act" shall mean Economic Development Financing Law, Act No. 102 of the General Assembly of the Commonwealth of Pennsylvania approved August 23, 1967 (P.L. 251), as amended and supplemented.

"Act of Bankruptcy" shall mean that (i) a party shall have commenced a voluntary case under any bankruptcy law, applied for or consented to the appointment of, or taking of possession by, a receiver, trustee, assignee, custodian or liquidator of all or a substantial part of its assets; (ii) a party shall have failed, or admitted in writing its inability generally, to pay its debts as such debts become due; (iii) a party shall have made a general assignment for the benefit of creditors; (iv) a party shall have been adjudicated a bankrupt, or shall have filed a petition or an answer seeking an arrangement with creditors; (vi) a party shall have taken advantage of any insolvency law, or shall have submitted an answer admitting the material allegations of a petition in bankruptcy or insolvency proceeding; (vi) an order, judgment or decree for relief shall have been entered in an involuntary case against a party, without the application, approval or consent of such party, by any court of competent jurisdiction appointing a receiver, trustee, assignee, custodian or liquidator, for the party or for a substantial part of any of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days; or (vii) an involuntary petition in bankruptcy shall have continued undismissed for sixty (60) days alter the filing thereof.

"Additional Land" shall mean, collectively, the land which has a use functionally related and accessory to the Phillies Ballpark Premises and shall mean, for the purposes of the Prime Lease, collectively, the land known as the "North Lot", as more particularly described on Exhibit "C" of the Prime Lease and the land known as the "Veterans Stadium", as more particularly described on an exhibit of the Prime Lease.

"Additional Rent" shall mean all sums payable by the City under the Prime Lease, other than (and in addition to) the Rent (as defined below).

"Affiliate" or "Affiliates" shall mean as to any Person, any other Person controlled by, controlling of, or under common control with such Person.

"Applicable Laws" shall mean the constitution and laws of the United States of America, the constitution and laws of the Commonwealth of Pennsylvania and all rules and regulations promulgated pursuant thereto, and shall include but not be limited to the Home Rule Charter of the City of Philadelphia and the City of Philadelphia Code.

"Authority" shall mean the Philadelphia Authority for Industrial Development, a body politic and corporate existing under the laws of the Commonwealth.

"Authority Contractual Commitments" shall mean obligations of the Authority as set forth in the Phillies Lease for reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Phillies in excess of the base amounts to be set forth in the Phillies Lease.

"Bonds" shall mean those bonds, notes or other forms of indebtedness issued for the purpose of financing or refinancing a portion of the Phillies Ballpark Premises. Additional Land, demolition, site preparation, improvements and infrastructure in connection therewith and a portion of any and all other costs incurred in connection with the sports stadia in an aggregate principal amount not to exceed Two Hundred Two Million Five Hundred Thousand Dollars ($202,500,000) net of original issue discount, plus amounts necessary for any reserves, capitalized interest, costs of issuance, amounts necessary to effect any refunding and such amount as may be finally determined to be owed to any condemnees as Just Compensation (as defined in the Pennsylvania Eminent Domain Code), at any one time outstanding; provided that in no event shall the term of each series of Bonds exceed thirty (30) years from the date of issuance of such series of Bonds, provided further that in the case of any series of refunding bonds the term of such Bonds shall not exceed thirty (30) years from the date of issue of the Bonds to be refunded.

"City" shall mean, the City of Philadelphia, a City of the First Class of the Commonwealth, acting through its Commerce Department and Department of Public Property.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Credit Facility" shall mean any letter of credit, liquidity facility, standby bond purchase agreement, line of credit, surety bond, insurance commitment, insurance policy or similar agreement with respect to the Bonds and any credit, loan or reimbursement agreement or other obligation of the Authority to the Credit Facility Provider in connection therewith, and all documents collateral thereto, as may be substituted from time to time.

"Credit Facility Provider" shall mean the provider of any Credit Facility as may be substituted from time to time.

"Fiscal Year" shall mean July 1 through and including June 30 of the following calendar year.

"Force Majeure Event" shall mean any event (except for the payment of money) which is beyond the reasonable control of, and is not caused by the fault or negligence of, the party asserting the Force Majeure, which wholly or partially prevents the performance of any of the duties, responsibilities or obligations of the party asserting the Force Majeure and the term "Force Majeure" shall include, but not be limited to, an act of God, an act of the public enemy, lightning, fire, explosion or other serious casualty; unusually severe weather (such as hurricane, earthquake, tornado, landslide or flood); war (whether declared or not); or condemnation or other taking by the action of any governmental body on behalf of any public, quasi-governmental or private entity.

"Ground Lease" shall mean Ground Lease dated April 1, 2001, as amended by the First Amendment to Ground Lease dated July 12, 2001 and a Second Amendment to Ground Lease dated November 28, 2001, between the City, as landlord, and the Authority, as tenant, pursuant to which the City has agreed to lease and the Authority has agreed to take and hire the Phillies Ballpark Land (as such term is thereinafter defined by the Prime Lease).

"Improvements" shall mean those certain structures and improvements, including but not limited to a stadium and related improvements and amenities on the Phillies Ballpark Land.

"Indenture" shall mean one or more instruments executed and delivered by and between the Authority and the Trustee (defined below) governing the issuance and administration of the Bonds for the benefit of the holders thereof.

"Person" shall mean an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, estate, unincorporated association, joint venture or any other entity, the United States, a state, or political subdivision thereof, or any agency, department or court thereof.

"Phillies" shall mean The Phillies, a Pennsylvania limited partnership or its successor with respect to the franchise, therein referred in the Prime Lease, or controlled affiliate, which is the holder of the franchise for a geographic area which includes the City issued by the National League and is the owner of the Major League Baseball team known as The Phillies.

"Phillies Lease" shall mean that certain Sublease and Development Agreement entered into between the Authority, as landlord, and the Phillies, as tenant, pursuant to which the Authority leases and the Phillies take and hire the Phillies Ballpark Land and constructed thereon certain structures, including, but not limited to a stadium and Improvements.

"Phillies Lease-Back Lease" shall mean that certain lease by and between the City, as landlord, and the Authority, as tenant, dated April 1. 2001, as amended by the First Amendment to Lease-Back Lease dated July 12, 2001 and a Second Amendment to Lease-Back Lease dated November 28, 2001, with respect to the Phillies Ballpark Premises.

"Phillies Ballpark" shall mean the baseball Ballpark constructed on the Phillies Ballpark Land as contemplated by the Phillies Lease.

"Phillies Ballpark Land" shall mean the 26 acres of land described on Exhibit A to the Prime Lease and any and all appurtenances, easements, rights, licenses, hereditaments and privileges as may in any way belong to or appertain thereto or inure to the benefit thereof.

"Phillies Ballpark Premises" shall mean the Phillies Ballpark Land and the Improvements, together with all improvements and appurtenances now existing or in the future constructed thereon.

"Prime Lease" shall mean the Prime Lease between the Authority and the City dated April 1, 2001, as amended by the First Amendment to Prime Lease dated July 12, 2001 and a Second Amendment to Prime Lease dated November 28, 2001.

"Team" shall mean the Phillies together with any successor or holder of said franchise or controlled affiliate.

"Transaction Documents" shall mean the Ground Lease, the Prime Lease, the Phillies Lease-Back Lease, the Phillies Lease, the Indenture, the Bonds, the Credit Facility, any bond purchase contract and documents collateral thereto, and any other financing documents and other related documents.

"Trustee" shall mean the hank or other institutional lending entity acting as trustee under the Indenture governing the Bonds.

DEMISE OF PHILLIES BALLPARK PREMISES

Demise of Phillies Ballpark Premises

On the Commencement Date in consideration of the Rent and Additional Rent thereinafter reserved and the terms, covenants, conditions and agreements set forth in the Prime Lease, the Authority demises and lets unto City, and City hires and leases from the Authority, the Phillies Ballpark Premises and any other improvements and appurtenances then existing or in the future constructed on the Phillies Ballpark Premises, for the Prime Lease Term, upon and subject to the conditions, terms, agreements and covenants set forth therein. At all times during the Prime Lease Term, ownership of and title to the Phillies Ballpark Land shall be and remain in the City, subject to the Authority's leasehold under the Ground Lease, the City's leasehold under the Prime Lease, and the other leaseholds contemplated thereby; and ownership and title to the Phillies Ballpark Premises (excluding Phillies Ballpark Land) and all other improvements and appurtenances on the Phillies Ballpark Premises, whether then existing or thereafter constructed, shall be and remain in the Authority, subject to the interests of the Phillies and its Affiliates to be granted and established in the Phillies Lease.

PRIME LEASE TERM

Prime Lease Term

The term of the Prime Lease (the "Prime Lease Term") shall commence upon the earlier to occur of the date on which (a) the Phillies Ballpark Land is acquired by the City, or (b) the Bonds are issued ("Commencement Date"), and shall expire on the later of: (A) the date which is thirty (30) days after the expiration or earlier termination of the term to be set forth in the Phillies Lease, as it may be renewed or extended, or (B) the date which is thirty (30) days after the last of the Bonds are no longer outstanding under the Indenture and there shall have been a defeasance of the lien of the Indenture and the Authority's obligations under the Indenture have been duly terminated pursuant to its terms and there is no outstanding obligation under any Credit Facility, or (C) such later date as may be necessary for the Authority, acting diligently, to comply with any covenant, condition, term or provision of the Indenture or to be set forth in Phillies Lease, or to exercise any of the remedies provided to the Authority therein for the benefit of the Trustee under the Indenture.

RENT

Rent

In consideration of the Authority's entering into the Ground Lease, the Prime Lease and the Phillies Lease-Back Lease Agreement, including but not limited to its obligation with respect to any financing or refinancing of the obligations undertaken by the Authority under the Prime Lease or under the Phillies Lease, such as the sale of the Bonds, the City hereby agrees to pay as rent ("Rent") to the Authority, or the Trustee or the Credit Facility Provider on behalf of the Authority, as hereinafter described, the following amounts (all of which together shall constitute Rent) in the following order of payment priority:

When the Authority issues its Bonds, then:

(1) for deposit in accordance with the Indenture, at least one business day prior to each date that principal of and premium, if any, and interest on the Bonds, or any portion thereof, shall be due and payable, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture), an amount which, together with other moneys under the Indenture available therefor is sufficient to make the Authority's required payments of principal of, premium, if any, and interest on the Bonds then becoming due, whether by maturity, redemption or otherwise (other than by acceleration under the Indenture) until the principal of, or redemption premium, if any, and interest on the Bonds shall have been paid in full or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture; and

(2) for deposit in accordance with the Indenture or Credit Facility, in the manner provided therein, the amounts required to satisfy the timely payment (other than by acceleration) of any reimbursement obligation (including interest thereon) and any fees, expenses, charges and indemnification pursuant to the Credit Facility and related documentation; and

(3) payments required pursuant to any swap agreements; and

(4) additionally, from time to time, certain amounts due in connection with the issuance of Bonds in connection with the Phillies Ballpark Premises on behalf of the Authority; and

(5) additionally, from time to time, the City shall be required to make payments necessary to make up any deficiency in the funds established under the Indenture (other than as a result of acceleration under the Indenture or the Credit Facility), including an amount which is sufficient to make any payment required to be made by the Authority to the United States Treasury, as provided in the Indenture, as determined and specified in writing by the City, other than as stated in (1) above, and to make payments to reimburse the Authority for any premiums paid for insurance policies purchased by the Authority, to the extent that the City has funds appropriated for such purposes in such Fiscal Year; and

(6) all Rent payable under subparagraphs (1) through (5) above shall be paid in immediately available funds and held, invested, disbursed and applied as provided in the Indenture or any Credit Facility, provided, however, that, on or before forty-five (45) days prior to any Sinking Fund Installment Date, the City may deliver to the Trustee, Bonds of a maturity, a portion of which is required to be redeemed by the Trustee on such Sinking Fund Installment Date, and the Rent required to effect

such redemption otherwise due from the City shall be reduced by the aggregate principal amount of the Bonds so delivered; up to the full amount of such Sinking Fund Installment; and

(7) the Authority directs the City to pay the Rent due under Section 4.1(a) of the Prime Lease (other than fees, expenses and indemnities owing the Credit Facility Provider) to the Trustee to which, under the terms of the Prime Lease and of the Indenture, the Prime Lease (as provided in the Indenture) and the Rent due under Section 4.1(a) of the Prime Lease (other than fees, expenses and indemnities owing to the Credit Facility Provider) are assigned. That portion of the Rent due under Section 4.1(a) of the Prime Lease representing fees, expenses and indemnities owing to the Credit Facility Provider shall be paid by the City directly to the Credit Facility Provider; and

(8) except for Rent due during the period with respect to which the Notes are Outstanding (as defined in the Indenture), which Rent shall be determined from time to time, the Rent due under Section 4.1(a) of the Prime Lease shall be determined on an annual basis by the City Treasurer for each fiscal year of the City based upon the principal amount of Outstanding Bonds issued under the Indenture.

An amount necessary to fulfill the Authority Contractual Commitments including reimbursement of excess tax payments on account of real estate taxes, amusement taxes and use and occupancy taxes which are payable by the Phillies in excess of the base amounts to be set forth in the Phillies Lease, the PILOT Agreement or the Use and Occupancy Tax Settlement Agreement (the PILOT Agreement and the Use and Occupancy Tax Settlement Agreement being defined in and attached to the Phillies Lease).

If the monies available to the Authority to meet its requirements under the Indenture or under the Bonds are insufficient to pay the Authority's obligations thereunder, then the City upon demand shall pay to the Authority or its assigns under and pursuant to Section 4.3 of the Prime Lease (summarized under the sub-caption "Assignment by Authority" below) such additional sum or sums, in each Fiscal Year as are required for such purposes subject to the provisions of Section 4.2(a) of the Prime Lease. Notwithstanding any provision to the contrary, there shall be no acceleration of the Rent payments under the Prime Lease.

Notwithstanding any other provision of the Prime Lease, the City's obligation to pay the Rent as set forth in Section 4.1(a) of the Prime Lease shall terminate upon the date ("Partial Rent Termination Date") upon which neither the Bonds nor any obligations under the Credit Facility are outstanding, and there shall have been a defeasance of the lien of the Indenture. During the remainder of the Prime Lease Term following such date, Rent shall mean the sum of One Dollar ($1.00) per year plus the Authority Contractual Commitments as set forth in the Prime Lease.

The City may make payments in advance at any time, on account of Rent payable pursuant to Section 4.1(a) of the Prime Lease, in one or more prepayment installments, which amounts shall be credited against the Rent at the time next due, unless otherwise directed by the City. All such prepayments shall be deposited in accordance with the Indenture and the Credit Facility.

Notwithstanding anything in the Prime Lease to the contrary, the Rent under Section 4.1(a) of the Prime Lease due and payable may also secure indebtedness issued pursuant to the Indenture in addition to the Bonds.

Additional debt issued for the purposes for which the Bonds may be issued, may be issued only through an amendment to the Prime Lease, to the extent that such additional debt exceeds the authorized amount set forth in the definition of "Bonds" therein (the foregoing shall not be construed as a limitation of any approval of the City Council of the City that may be required with respect to any such amendment).

Manner of Rent And Additional Rent Payment By City; Appropriations; Failure To Pay Rent And Additional Rent

The Rent and Additional Rent shall be payable only out of the current revenues of the City and the City agrees to provide for payment of the Rent and Additional Rent and include the same in the City's annual operating budget for each Fiscal Year of the City. If the current revenues of the City are insufficient to pay the Rent and Additional Rent in any Fiscal Year as the same becomes due and payable, the City shall include amounts not so paid in the City's operating budget for the ensuing Fiscal Year and shall produce sufficient current revenues to pay in the ensuing Fiscal Year such balance due for the preceding Fiscal Year in addition to the amount of Rent and Additional Rent due for the ensuing Fiscal Year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required to make all Rent and Additional Rent payments due and payable under the Prime Lease and all payments due under Article 18 of the Prime Lease in each of the City's Fiscal Years.

The failure of the City to make any payment of Rent and Additional Rent or any other amounts due pursuant to Article 18 of the Prime Lease on the date specified for payment shall constitute a default under the Prime Lease.

Assignment by Authority

The Authority may assign all right, title and interest of the Authority in and to the right to receive the Rent under Section 4.1(a) of the Prime Lease to the Trustee and the rights and remedies related thereto, in trust. The City agrees to pay directly to the Trustee, all Rent payable under Section 4.1(a) of the Prime Lease (other than Rent payable in respect of the fees, expenses and indemnities owing to the Credit Facility Provider and such amounts due under Section 18.2 of the Prime Lease) (described under the sub-caption "Bonds and Certain Tax Matters"), and directly to the Credit Facility Provider all Rent payable under Section 4.1(a) of the Prime Lease in respect of fees, expenses and indemnities owing to the Credit Facility Provider under the Credit Facility, in each case, without any defense, setoffs or counterclaim.

Assignment by the City

Prior to providing for the payment in full of outstanding Bonds or the earlier redemption thereof, the defeasance of the lien of the Indenture, and the payment in full of any outstanding obligation under any Credit Facility, without the prior written consent of the Authority, the Trustee and the Credit Facility Provider, the City may not by operation of law or otherwise assign, transfer, mortgage, pledge, hypothecate, encumber or otherwise dispose of the Prime Lease or any interest therein.

No Suspension or Abatement of Rent and Additional Rent

The City shall pay the Rent as required under the Prime Lease and Additional Rent without suspension or abatement of any nature. So long as (i) the Bonds remain outstanding, (ii) the lien of the Indenture has not been defeased, (iii) there exists any outstanding obligation under any Credit Facility, or (iv) the Authority shall have any obligation to the Phillies under the Phillies Lease, the obligation of the City to pay the Rent and Additional Rent payable under the Prime Lease strictly in accordance with the terms of the Prime Lease shall be an absolute and unconditional obligation of the City and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, and regardless of any rights of setoff, recoupment or counterclaim that the City might otherwise have against the Authority, the Phillies, the Credit Facility Provider or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise or take place after the date of the Prime Lease.

Notwithstanding any provision in the Prime Lease concerning the termination of the Prime Lease or the leasehold created therein, the City and Authority agree that, as long as (i) the Bonds are outstanding, (ii) the lien of the Indenture has not been defeased, (iii) there exists any obligation under any Credit Facility, or (iv) the Authority shall have any obligation to the Phillies under the Phillies Lease, in pursuing their remedies under the Prime Lease they shall not terminate the Prime Lease or the leasehold created thereby or cease payment of the Rent and Additional Rent.

Assignment; City to Remain Obligated

Notwithstanding anything contained in the Prime Lease to the contrary, any assignment, subletting, use, occupancy or transfer under the Prime Lease shall not operate to relieve the City from any covenant or obligation under the Prime Lease and City shall continue to remain primarily, jointly and severally liable and obligated for any and all covenants and obligations under the Prime Lease, including but not limited to the obligations to pay Rent and Additional Rent pursuant to the terms of the Prime Lease.

CASUALTY

Terms of Phillies Lease Controls

In the event of casualty to some or all of the Phillies Ballpark Premises, the terms and conditions to be set forth in the Phillies Lease regarding casualty shall control the parties' respective rights following such casualty; provided, however, that notwithstanding any damage or destruction to some or all of the Phillies Ballpark Premises, the City shall continue to pay Rent and Additional Rent and to fulfill its covenants under the Prime Lease as if no such damage or destruction had occurred.

CONDEMNATION

Notice of Taking

The City and the Authority each agree to give the other written notice of any taking as a result of, or in lieu of, condemnation or the exercise of the power of eminent domain by any sovereign, municipality or any other public or private authority ("Taking") of all or any part of the Phillies Ballpark Premises or any interest therein promptly after such party receives notice thereof.

City Rent Obligation Continues

Notwithstanding any total Taking or partial Taking of the Phillies Ballpark Premises or the leasehold estate created under the Prime Lease, whether temporary or permanent, the City's obligation to pay Rent and Additional Rent under the Prime Lease shall not be suspended, abated, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, and the City shall continue to pay Rent and Additional Rent under the Prime Lease as if no such Taking had occurred.

DEFAULTS AND REMEDIES

Defaults

Each of the following shall constitute an "Event of Default" by the City under the Prime Lease:

(a) Any failure by the City to pay Rent or any other amount, charge, fee or sum required to be paid by the City under the Prime Lease when due;

(b) Any Act of Bankruptcy by the City;

(c) Any failure by the City to observe or perform any of the terms, covenants, agreements, provisions, conditions or limitations contained in the Prime Lease.

Remedies

Upon the occurrence of an Event of Default by City and at any time thereafter, the Authority shall have, in addition to all other rights available to the Authority at law or in equity, the following rights and remedies:

(a) To institute any and all proceedings permitted by law or equity including, but not limited to, an action to enjoin a violation of the Prime Lease by the City or to compel specific performance of the Prime Lease by the City;

(b) To seek and obtain, and the City thereby consents to the entry of a temporary restraining order, together with such other temporary, preliminary and permanent injunctive or other equitable relief from any court of competent jurisdiction capable of issuing or granting such relief, to compel the City to comply with or refrain or cease from breaching or violating the terms, covenants and conditions of the Prime Lease, and, with respect thereto, the City thereby waives any requirement that the Authority post a bond or other security in connection with such injunctive or other equitable relief; and

(c) To require that the City immediately pay all of the Authority's costs, charges and expenses, including, without limitation, court and other costs, expert fees, receiver and trustee's fees, consultant fees, all costs and expenses in connection with litigation, service and attorneys' fees, incurred in enforcing the City's obligations and the Authority's rights and remedies under the Prime Lease or incurred by the Authority in any litigation, negotiation or transaction in which the City causes the Authority, without the Authority's fault, to become involved or concerned. ***Any provision of the Prime Lease to the contrary notwithstanding, under no circumstances shall the Authority's remedies include the right to cause an acceleration of all or any part of the Rent or a termination of the Prime Lease.***

No Waiver

No failure or delay by the Authority to insist upon the strict performance of any term, covenant, agreement, provision, condition or limitation of the Prime Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance by the Authority of full or partial Rent or any other payment due under the Prime Lease during the continuance of any such breach (with or without knowledge of the breach), shall constitute or be construed to constitute a waiver of any such breach or of such term, covenant, agreement, provision, condition or limitation. No term, covenant, agreement, provision, condition or limitation of the Prime Lease to be kept observed, or performed by City, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by the Authority. Any waiver of any breach shall be limited to the breach so waived, and shall not affect or alter the Prime Lease, each and every term, covenant, agreement, provision, condition and limitation of the Prime Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Authority's Rights Not Exclusive

No right or remedy therein conferred upon or reserved to the Authority is intended to be exclusive of any other right or remedy therein or by law or in equity provided, but each shall be cumulative and in addition to every other right or remedy given therein or then or thereafter existing at law or in equity or by statute.

CERTAIN COVENANTS

Bonds and Certain Tax Matters

The City agrees, in the event that Authority issues from time to time any Bonds in connection with the Phillies Ballpark Premises: (a) to pay promptly on Authority's behalf reasonable compensation to the Trustee and the Credit Facility Provider for their services under the Indenture and the Credit Facility, respectively, relating to the Bonds and the Credit Facility (b); to the extent that any Bonds are issued on a tax-exempt basis, to comply with all provisions of the Federal Tax Certificate applicable to it and take no action which would cause the interest on the Bonds to be includable in the gross income of Holders of the Bonds under the Code; and (c) to the extent that any Bonds are issued on a tax-exempt basis, to perform and satisfy, through the City Treasurer, the record keeping obligations of the Authority under the Federal Tax Certificate and to perform all monitoring, oversight, calculations and reporting required of the Authority under the Federal Tax Certificate to make any and all elections permitted to be made by Authority pursuant to the Code, and to comply with all requirements relating to rebate and make any required rebate payments to the United States Treasury.

City Covenants

The City covenants to perform its obligations under the Transaction Documents, including but not limited to the obligations imposed on the City pursuant to the Indenture.

MISCELLANEOUS

Amendments

The parties to the Prime Lease, from time to time may enter into any amendments thereto (which thereafter shall form a part thereof) without the consent of any other parties such as shall not adversely affect the rights of or the security of the Holders (as defined in the Indenture), only for the following purposes:

(a) To cure any ambiguity, defect or omission therein or in any amendment thereto or to supplement any provision thereof, provided such cure shall not materially adversely affect the Phillies, the Holders or the Credit Facility Provider; or

(b) To reflect a change in Applicable Law which shall not impair the security thereof or materially adversely affect the rights of the Holders, the Phillies or the Credit Facility Provider; or

(c) To provide for additional Rent thereunder to the extent necessary in connection with the issuance of additional debt; or

(d) To add to the covenants and agreements of the City therein contained, or to surrender any right or power therein reserved to or conferred upon the City which shall not impair the security thereof nor materially adversely affect the rights of the Phillies, the Holders or the Credit Facility Provider.

The Trustee, the Credit Facility Provider and the Phillies shall he provided notice of any amendments with respect to (a), (b), (c) and (d) of Section 19.15 of the Prime Lease described above. All other amendments must be approved by the Phillies, the Trustee (if the Trustee's approval is required in accordance with the Indenture) and the Credit Facility Provider (if the Credit Facility Provider's approval is required in accordance with the terms of the Credit Facility), and, if the Indenture must be amended with Holders' consent, the Holders, in the same manner and to the same extent as is set forth in the applicable Article of the Indenture.

Notwithstanding the foregoing, the Authority shall not amend the Prime Lease other than as provided in the Indenture.

APPENDIX E

PROPOSED FORM OF APPROVING OPINION OF CO-BOND COUNSEL

September 18, 2019

RE: PHILADELPHIA AUTHORITY FOR INDUSTRIAL DEVELOPMENT
$147,615,000 Lease Revenue Refunding Bonds, Series 2019

TO THE PURCHASERS OF THE 2019 BONDS:

We have served as Co-Bond Counsel to the Philadelphia Authority for Industrial Development (the "Authority") in connection with the issuance of $147,615,000 aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2019 (the "2019 Bonds"). The 2019 Bonds are being issued under and pursuant to the Pennsylvania Economic Development Financing Law, as amended (the "Act"), and a Trust Indenture dated as of April 1, 2001, as amended and supplemented (the "Indenture"), including by an Eighth Supplemental Indenture dated as of September 1, 2019 (the "Eighth Supplemental Indenture"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), and pursuant to a resolution of the Authority adopted on July 16, 2019, authorizing the issuance of the 2019 Bonds (the "Resolution").

The 2019 Bonds will bear interest at fixed rates as shown in the official statement prepared for the 2019 Bonds. The 2019 Bonds will be issued only as fully registered bonds in denominations of $5,000 and any integral multiples of $5,000 in excess thereof.

The 2019 Bonds are being issued to finance: (i) the current refunding of the Authority's $44,605,000 Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-3 (the "2007B-3 Bonds") and the Authority's $117,275,000 Lease Revenue Refunding Bonds, 2014 Series A (the "2014A Bonds," and together with the 2007B-3 Bonds, the "Refunded Bonds"); (ii) termination payments for portions of certain swaps related to the Refunded Bonds, and (iii) costs of issuance of the 2019 Bonds.

Pursuant to the Phillies Prime Lease and the Eagles Prime Lease (as each is defined in the Indenture, and together the "Prime Leases"), the City is required to pay to the Trustee, as assignee of the Authority, rental payments sufficient to pay debt service on the 2019 Bonds when due and payable. Under the Indenture, the Authority has granted to the Trustee a security interest in all of the right, title and interest of the Authority in and to payments in respect of, among other things, debt service on the 2019 Bonds under the Prime Leases.

The City Council of the City by Ordinances (Bill Nos. 000721-A and 000722-A), both approved by the Mayor of the City on December 28, 2000 (together, the "Ordinances"), authorized and approved, among other things, the execution and delivery of the Prime Leases and approved the issuance by the Authority of Bonds (as defined in the Ordinances) for the purposes further described in the Ordinances.

We have examined the proceedings relating to the authorization and issuance of the 2019 Bonds, including, among other things: (a) the Act, and the Articles of Incorporation and By Laws of the Authority; (b) a certified copy of the Resolution; (c) executed counterparts of the Indenture and the Prime Leases or copies thereof; (d) certified copies of the Ordinances; (e) the opinion of Philip M. Brandt, Esq., Authority Counsel, and the opinion of Marcel Pratt, Esq., City Solicitor, each dated the date hereof and on each of which we have relied; (f) various certificates executed by the Authority, the City and/or the Trustee including certificates as to the authentication and delivery of the 2019 Bonds, and a certificate with regard to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"); (g) the Form 8038-G of the Authority; (h) the approvals of the issuance of the 2019 Bonds by the Pennsylvania Department of Community and Economic Development; (i) the Escrow Agreement (as defined in the Eighth Supplemental Indenture) related to the refunded 2014A Bonds and the verification report attached thereto; and (j) such other constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render the opinions set forth herein. We have also examined a fully executed and authenticated 2019 Bond.

In rendering our opinion, we have assumed the accuracy of and not undertaken to verify the factual matters set forth in such agreements, certificates and other documents and have relied on the covenants, warranties and representations made by the Authority, the Trustee and the City in such certificates and in the Indenture, the Prime Leases and other financing documents.

In addition, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity with originals of all documents submitted to us as copies and the authenticity of certificates of public officials. We have also assumed that the Eighth Supplemental Indenture has been duly authorized by the Trustee and is a legally binding obligation of, and enforceable in accordance with its terms against, the Trustee.

From our examination of the foregoing and such other items as we deem relevant, we are of the opinion that:

1. The Authority is validly existing under the Act and has the power to issue the 2019 Bonds for the purposes set forth in the Eighth Supplemental Indenture.

2. The 2019 Bonds have been duly authorized, executed and delivered by the Authority, are entitled to the benefit and security of the Indenture, and are valid and binding limited obligations of the Authority, payable as to principal, interest and all other obligations thereunder solely from and enforceable only against the revenues and receipts derived from the Trust Estate (as defined in the Indenture), except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, receivership, arrangement, moratorium, and other laws affecting creditors' rights, by equitable principles, whether considered at law or in equity, and by the exercise of judicial discretion in appropriate cases.

3. The Authority has the power to enter into the Eighth Supplemental Indenture which has been duly authorized, executed and delivered by the Authority, and which is enforceable against the Authority in accordance with its terms, except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, receivership, arrangement, moratorium, and other laws affecting creditors' rights, by equitable principles, whether considered at law or in equity and by the exercise of judicial discretion in appropriate cases.

4. Under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") as enacted and construed on the date hereof, the interest on the 2019 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

5. Interest on the 2019 Bonds is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2019 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income

taxation. Failure to comply with certain of such requirements could cause the interest on the 2019 Bonds to be includable in gross income retroactive to the date of issuance of the 2019 Bonds. The Authority and the City have covenanted to comply with all such requirements. Interest on the 2019 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax.

We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or the receipt of interest on, the 2019 Bonds.

We express no opinion herein on the adequacy, completeness or accuracy of any disclosure document pertaining to the offering of the 2019 Bonds. We also express no opinion as to the validity or enforceability of any provision which purports to require that provisions of an agreement may be amended or waived only in writing or as to the availability of specific performance or other equitable relief.

We call to your attention that the 2019 Bonds do not pledge the general credit or taxing power of the Commonwealth or any political subdivision, agency or instrumentality of the Commonwealth, nor shall the Commonwealth or any political subdivision, agency or instrumentality thereof be liable for the payment of the principal of or interest on the 2019 Bonds (other than the Authority, to the limited extent described herein).

This opinion is limited to the federal laws of the United States and the laws of the Commonwealth as in effect on the date hereof, and we express no opinion with respect to the laws of any other state or jurisdiction.

This opinion is limited to matters expressly stated herein. No implied opinions are to be inferred to extend this opinion beyond the matters expressly stated herein. This opinion is expressed as of the date hereof, and we express no opinion as to any matter not set forth in the numbered paragraphs herein. We do not assume any obligation to update or supplement this opinion to reflect, or to otherwise advise you of, any facts or circumstances which may hereafter come to our attention or any changes in facts, circumstances or law which may hereafter occur.

This opinion is rendered solely for your benefit, may be relied upon by you solely in connection with the issuance of the 2019 Bonds and may not be relied upon by you for any other purpose, or by any other person for any purpose, in each case without our written consent.

Very truly yours,

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of September 18, 2019, 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 Philadelphia Authority for Industrial Development (the "Authority") of its $147,615,000 aggregate principal amount Lease Revenue Refunding Bonds, Series 2019 (the "Bonds"). Capitalized terms used in this Agreement which are not otherwise defined herein shall have the meanings given to such terms in the Official Statement (as defined herein) or the Indenture (as defined in the Official Statement), as applicable.

The Bonds are being issued pursuant to the provisions of (i) the Act, (ii) the Ordinances, (iii) the Resolution, and (iv) the Indenture.

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement is being executed and delivered by the City solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) Commencing with the Fiscal Year ending June 30, 2019, the Disclosure Representative shall deliver to the Dissemination Agent no later than February 28, 2020, and no later than each succeeding February 28 thereafter, Annual Financial Information with respect to each Fiscal Year of the City. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with EMMA (as defined herein).

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) hereof.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Disclosure Representative shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file such Audited Financial Statements with EMMA.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Disclosure Representative shall provide through the Dissemination Agent, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to EMMA.

(b) Any notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the City including the Bonds, such Notice Event notice need only include the CUSIP number of the City.

(d) The Dissemination Agent shall promptly advise the City whenever, in the course of performing its duties as Dissemination Agent under this Agreement, the Dissemination Agent has actual 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 (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agent. The City has designated the Dissemination Agent as its agent to act on its behalf in providing or filing notices, documents and information as required of the City under this Agreement. The City may revoke or modify such designation. Upon any revocation of such designation, the City shall comply with its obligation to provide or file notices, documents and information as required under this Agreement or may designate another agent to act on its behalf.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access ("EMMA") system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided on EMMA shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The City's current Fiscal Year begins July 1 and ends June 30, and the City shall promptly file a notification on EMMA, through the Dissemination Agent, of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The City's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied:

(1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby,

(2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances,

(3) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the same effect as set forth in clause (2) above,

(4) either (i) the City shall have delivered to the Dissemination Agent an opinion of Counsel or a determination by an entity, in each case unaffiliated with the City (such as bond counsel or the Dissemination Agent), addressed to the City and the Dissemination Agent, to the effect that the amendment does not materially impair the interests of the holders of the Bonds, or

(ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds pursuant to such indenture as in effect at the time of the amendment, and

(5) the Disclosure Representative shall have delivered copies of such opinion(s) and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the City shall have delivered to the

Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that performance by the City and the Dissemination Agent under this Agreement as so amended will not result in a violation of the Rule and (3) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the City in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the City to comply with the provisions of this Agreement shall be enforceable by any holder of outstanding Bonds. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the City or the Dissemination Agent to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the City's Comprehensive Annual Financial Report ("CAFR"), which contains the Audited Financial Statements, (ii) to the extent such information is not contained in the CAFR, the financial information or operating data with respect to the City, substantially similar to the type set forth in Tables 1-52 in APPENDIX A attached to the Official Statement (with the exception of Table 19 and Table 48), and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement. As set forth in clause (i) above, Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

Annual Financial Information shall be delivered at least annually pursuant to Section 1.2(a) hereof. In connection with Section 4.1(1), it is the City's intention to satisfy all or a portion of the obligations set forth therein by submitting to EMMA (A) its CAFR and (B) to the extent not otherwise updated in the CAFR, (1) an APPENDIX A as attached to the Official Statement that includes annual updates to the Tables specified in clause (ii) above, or (2) if the City does not have such an APPENDIX A prepared, annual updates to the Tables specified in clause (ii) above. If at any time the City deletes, for purposes of a then-current APPENDIX A, certain financial information or operating data from APPENDIX A as attached to the Official Statement that is included in one of the Tables specified above, such deleted information will be submitted separately from the updated APPENDIX A.

The descriptions contained in Section 4.1(1)(ii) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by Commonwealth law or the City Charter. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the City may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or Commonwealth law or regulation describing such accounting principles, or other description thereof.

(3) "City Charter" means the Home Rule Charter authorized by the General Assembly in the First Class City Home Rule Act (Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City, as amended and supplemented.

(4) "Commonwealth" means the Commonwealth of Pennsylvania.

(5) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(6) “Disclosure Representative” means the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

(7) “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, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(10) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the City or otherwise:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the City;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(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 12, 2019 of the City relating to the Bonds.

(12) "Registered Owner" or "Registered Owners" means the person or persons in whose name a Bond is registered on the books of the Authority maintained by the Trustee in accordance with the Indenture. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owner" or "Registered Owners" also means and includes, for the purposes of this Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Agreement.

(13) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(14) "SEC" means the United States Securities and Exchange Commission.

(15) "Securities Depository" shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the Indenture.

(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 attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct in the performance of its duties hereunder. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 5.2. <u>Counterparts</u>. 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 Agreement to be executed by the Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this 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 G

BOOK-ENTRY ONLY SYSTEM

General

The information set forth herein concerning The Depository Trust Company, New York, New York ("DTC") and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority, the City, the Trustee, or the Underwriters. The website referenced below is 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 2019 Bonds under a book-entry system with no physical distribution of the 2019 Bonds made to the public. The 2019 Bonds will initially be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the 2019 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2019 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2019 Bonds, except in the event that use of the book-entry system for the 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2019 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2019 Bonds, such as defaults and proposed amendments to the bond documents. For example, Beneficial Owners of 2019 Bonds may wish to ascertain that the nominee holding the 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, and interest on, the 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or 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 Authority, the City or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, and interest on, the 2019 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

THE AUTHORITY, THE CITY, THE TRUSTEE, AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE 2019 BONDS (A) PAYMENTS OF PRINCIPAL OF, OR INTEREST ON, THE 2019 BONDS, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2019 BONDS, OR (C) NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL

STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE CITY, THE TRUSTEE, OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF, OR INTEREST ON, THE 2019 BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE OR OTHER COMMUNICATION WHICH IS REQUIRED TO BE GIVEN TO HOLDERS OR OWNERS OF THE 2019 BONDS; OR (E) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2019 BONDS.

Discontinuation of Book-Entry Only System

DTC may discontinue providing its services as depository with respect to the 2019 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2019 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2019 Bond certificates will be printed and delivered.

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APPENDIX H

SCHEDULE OF REFUNDED BONDS

Series	Maturity	Principal Amount	Rate	Redemption Price	Call Date	CUSIP Number*
2007B-3	October 1, 2030	$44,605,000	Weekly Rate	100.00%	September 18, 2019	71781Q EL8
2014A	October 1, 2030	$117,275,000	Index Interest Rate	100.00%	October 1, 2019	71781Q EN4

* CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above, which were provided at the time of issuance of the Refunded Bonds, were provided solely for the convenience of the holders of the Refunded Bonds. None of the City, the Authority, the Trustee, or the Underwriters make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy. The CUSIP numbers may not reflect any changes that occurred to such numbers after the original issuance of the Refunded Bonds.

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SEAL OF THE CITY OF PHILADELPHIA