

In the opinion of Co-Bond Counsel, interest on the Notes is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the conditions described in "TAX MATTERS" herein. Interest on the Notes will not be a specific preference item for purposes of the individual and corporate alternative minimum taxes; however, such interest may be subject to certain other federal taxes affecting corporate holders of the Notes. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Notes are exempt from Pennsylvania personal property taxes and the interest on the Notes is exempt from Pennsylvania income tax and Pennsylvania corporate net income tax. For a more complete discussion see "TAX MATTERS" herein.

\$285,000,000

THE CITY OF PHILADELPHIA, PENNSYLVANIA
Tax and Revenue Anticipation Notes, Series A of 2010-2011

Dated: Date of Original Delivery

Due: June 30, 2011

The Tax and Revenue Anticipation Notes, Series A of 2010-2011 (the "Notes") of The City of Philadelphia, Pennsylvania (the "City") will be issued in registered form in denominations of \$5,000 or any integral multiple thereof and will bear interest from the date of issuance to the maturity date at the annual rate set forth below, calculated on the basis of actual days elapsed in a 365-day year. **The Notes are not subject to redemption prior to maturity.** The Notes, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Purchases of beneficial ownership interests in the Notes will be made in book-entry only form. Principal of and interest on the Notes is payable directly to Cede & Co., for redistribution to DTC Participants and in turn to Beneficial Owners as described herein. Purchasers of Notes will not receive certificates representing their ownership interests in the Notes. See "**BOOK-ENTRY ONLY SYSTEM**" herein.

The principal of and interest on the Notes will be payable on June 30, 2011 at the designated corporate trust office of Wells Fargo Bank, N.A., in Philadelphia, Pennsylvania, which is acting as registrar, transfer agent and paying agent for the Notes. The Notes are being issued pursuant to a Loan Authorization, adopted by the Loan Committee of the City on July 21, 2010 (the "Loan Authorization") and a Trust Agreement, dated July 28, 2010 (the "Trust Agreement"), between the City and Wells Fargo Bank, N.A., as Trustee. See "**THE NOTES**" herein.

The Notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of Article IX of the Pennsylvania Constitution. The Notes are payable from funds required to be deposited by the City in the Note Fund (as herein defined) established under the Loan Authorization and the Trust Agreement. The Notes are equally and ratably secured by a pledge of, security interest in, and a lien and charge on, the taxes and revenues of the City to be received for the account of the General Fund (as herein defined) during the period when the Notes will be outstanding, until the earlier of (i) the payment or provision for payment in full of the principal of and interest on the Notes, or (ii) June 30, 2011. As further security for the repayment of the Notes, the City is covenanting in the Loan Authorization and the Trust Agreement to make certain irrevocable deposits into the Note Fund, which deposits in the aggregate, will equal the entire principal of and interest due on the Notes at maturity. See "**SECURITY FOR THE NOTES**" herein.

<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
\$285,000,000	2.000%	0.700%	101.192%	717813MH9

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

The Notes are offered when, as and if issued and received by the Underwriters and subject to approval as to legality by Dilworth Paxson LLP, Philadelphia, Pennsylvania, and the Law Offices of Stephanie Saint-Cyr, Moorestown, New Jersey, Co-Bond Counsel. Certain legal matters will be passed upon for the City by the City Solicitor. Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, Duane Morris LLP and The Tucker Law Group, LLC, both of Philadelphia, Pennsylvania. It is anticipated that the Notes will be available for delivery through the facilities of DTC in New York, New York, on or about July 28, 2010.

BofA MERRILL LYNCH
SIEBERT BRANDFORD SHANK & CO., LLC
RBC CAPITAL MARKETS **WELLS FARGO SECURITIES**

CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR
HONORABLE MICHAEL A. NUTTER

MAYOR'S CHIEF OF STAFF
Clarence D. Armbrister

MAYOR'S CABINET

Richard Negrin Deputy Mayor for Administration and Coordination/Managing Director
Rob Dubow Director of Finance
Shelley R. Smith City Solicitor
Rina Cutler Deputy Mayor of Transportation and Utilities
Everett A. Gillison Deputy Mayor for Public Safety
Alan Greenberger Deputy Mayor for Economic Development and Commerce Director
Donald F. Schwartz, M.D. Deputy Mayor for Health and Opportunity and Health Commissioner
Suzanne Biemiller Director of Policy, Planning and Coordination
Michael DiBerardinis Parks and Recreation Commissioner
Allan R. Frank Chief Information Officer
Katherine Gajewski Director of Sustainability
Teresa A. Gillen Executive Director, Redevelopment Authority
Melanie Johnson City Representative
Amy L. Kurland Inspector General
Joan L. Markman Chief Integrity Officer
Lewis Rosman Director, Legislative and Government Affairs
Lori A. Shorr, Ph.D. Chief Education Officer
Gary P. Steuer Chief Cultural Officer
David G. Wilson First Deputy Managing Director

CITY TREASURER
Rebecca Rhynhart

CITY CONTROLLER
Honorable Alan L. Butkovitz

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations with respect to the Notes, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement among the City, the Underwriters and the purchasers or owners of any offered Notes. The information set forth herein has been obtained from sources that the Underwriters believe to be reliable, but it is not guaranteed as to its accuracy or completeness, and is not to be construed as a representation by the Underwriters. The information and the opinions expressed herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the financial condition or operations of The City of Philadelphia, Pennsylvania (the "City") since the date hereof or the date as of which particular information is given, if earlier.

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

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of taxes and other revenue collected by the City include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the City. Such forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. UPON ISSUANCE, THE NOTES WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION NOR ANY OTHER FEDERAL, STATE, MUNICIPAL OR OTHER GOVERNMENTAL ENTITY, OTHER THAN THE CITY (SUBJECT TO THE LIMITATIONS SET FORTH HEREIN), WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

No quotations from or summaries or explanations of provisions of law and documents herein purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the securities described herein. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly, so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, list of officials, this page and the Appendices attached hereto are part of this Official Statement.

The CUSIP (Committee on Uniform Securities Identification Procedures) number on the cover page of this Official Statement has been assigned by an organization not affiliated with the City or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP number. The CUSIP number is included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP number.

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**OFFICIAL STATEMENT
OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA**

**\$285,000,000
The City of Philadelphia, Pennsylvania
Tax and Revenue Anticipation Notes,
Series A of 2010-2011**

INTRODUCTION

General

This Official Statement is provided to set forth information with respect to the issuance by The City of Philadelphia, Pennsylvania (the "City") of its Tax and Revenue Anticipation Notes, Series A of 2010-2011 (the "Notes"), in the aggregate principal amount of \$285,000,000.

This Official Statement has been prepared by the City under the direction of the Office of the Director of Finance. The fiscal year of the City extends from July 1st to June 30th of the subsequent year. The term "Fiscal Year 2011" refers to the fiscal year ending June 30, 2011.

This introduction is a brief description of certain matters set forth in this Official Statement and is qualified by reference to the entire Official Statement. Persons considering a purchase of the Notes should read this Official Statement, including the cover page and appendices hereto, in its entirety.

All quotations from and summaries and explanations of the Constitution and laws of the Commonwealth of Pennsylvania (the "Commonwealth") and the United States of America and Ordinances of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof; all descriptions and summaries of the Notes are qualified in their entirety by reference to the full text of the original documents on file with the Trustee (as defined herein) at its Philadelphia, Pennsylvania corporate trust office.

Authorization; The Notes

The Notes are being issued pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6, approved June 5, 1991, as amended (the "Act"), and a Loan Authorization, adopted July 21, 2010 (the "Loan Authorization") by the Loan Committee of the City, comprised of the Mayor, the City Controller and the City Solicitor, or a majority thereof (the "Loan Committee"). See "THE NOTES - Statutory Authorization."

Wells Fargo Bank, N.A., having a corporate trust office in Philadelphia, Pennsylvania, will act as registrar, transfer agent and paying agent for the Notes and as trustee (the "Trustee") under a Trust Agreement between the City and the Trustee, dated July 28, 2010 (the "Trust Agreement").

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

Purpose

The City will issue the Notes in anticipation of the receipt of current taxes and current revenues. The proceeds of the Notes will be used: (i) to provide cash to supplement the receipts of the City in the General Fund for the purpose of paying the general expenses of the City prior to the receipt of income from taxes and other sources of General Fund revenues to be received in then-current fiscal year and pledged for the repayment of the Notes, and (ii) to pay the costs of issuance of the Notes.

Receipt of the proceeds of the Notes will enable the City to pay obligations, when due. The proceeds of the Notes to be used to pay obligations of the City will be deposited initially to the credit of the General Fund in the City's Consolidated Cash Account. See "CITY CASH MANAGEMENT AND INVESTMENT POLICIES - Consolidated Cash."

Continuing Disclosure Undertaking

In order to enable the Underwriters to comply with the requirements of Rule 15c2-12(b)(5) under the Securities and Exchange Act of 1934, as amended (the "Rule"), the City and Digital Assurance Certification, L.L.C. (the "Dissemination Agent") will enter into a Continuing Disclosure Agreement, dated the date of delivery of and payment for the Notes (the "Disclosure Agreement"), providing for the disclosure of the occurrence, if any, of certain events material to the Notes. The Disclosure Agreement constitutes a written undertaking for the benefit of the registered owners (which term includes, for purposes of the Disclosure Agreement, holders of book-entry credits in the Notes) from time to time of the Notes. See "ADDITIONAL INFORMATION - Continuing Disclosure Undertaking."

THE NOTES

General

The Notes will be issued in the aggregate principal amount of \$285,000,000, will be dated the date of original delivery thereof and will mature on June 30, 2011. The Notes will bear interest, payable at maturity, at the rate per annum set forth on the cover page hereof, calculated on the basis of actual days elapsed in a 365-day year.

Principal of and interest on the Notes will be payable upon presentation of the Notes at maturity at the designated corporate trust office of the Trustee (or its successor) in Philadelphia, Pennsylvania. The Notes will be issued as fully registered notes and, when issued, will be registered in the name of Cede & Co., as nominee for DTC. Purchases of beneficial interests in the Notes will be made in book-entry form (without certificates) in denominations of \$5,000 or any integral multiple thereof.

So long as the Notes shall be in book-entry only form, the principal of and interest on the Notes are payable by check or draft mailed to or by wire transfer of immediately available funds to Cede & Co., as nominee for DTC, the registered owner thereof for redistribution by DTC to the Direct and Indirect Participants and in turn to Beneficial Owners as described under "BOOK-ENTRY ONLY SYSTEM."

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

Statutory Authorization

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

Sources of Payment for the Notes; Security

Pursuant to the provisions of the Act, the Loan Authorization and the Trust Agreement, the Notes are payable from, and secured by a pledge of a security interest in and a lien and charge on, the taxes and revenues of the City to be received for the account of the General Fund from the date of the original delivery of the Notes until the earlier of (i) payment or provision for payment of the principal of and interest on the Notes, or (ii) June 30, 2011.

Pursuant to the provisions of the Act, the Loan Authorization and the Trust Agreement, the City has established a fund, designated the "Note Fund," to be held in trust by the Trustee for the benefit of the registered owners of the Notes (the "Noteholders" or "registered owners" or "holders of the Notes"). The City has covenanted in the Loan Authorization and in the Trust Agreement to make irrevocable deposits on May 27, 2011 and June 28, 2011 into the Note Fund in amounts which, in the aggregate, will equal the entire amount of principal of and interest due on the Notes at their stated maturity on June 30, 2011. See "SECURITY FOR THE NOTES."

As provided in the Act, the Notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of Article IX of the Pennsylvania Constitution. The Notes do not pledge the taxing power of the City nor do they require the City to levy ad valorem taxes for their payment. If the Notes are not paid within the current fiscal year, the entire amount unpaid shall be included by the City in its budget for the fiscal year ending June 30, 2012 and shall be payable from (but will not be secured by) the taxes and revenues of such fiscal year.

Transfer and Exchange

The Notes may be transferred upon the registration books maintained by the Trustee upon delivery to the Trustee of the Notes accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Trustee, duly executed by the registered owner of the Notes to be transferred or by his or her duly authorized attorney-in-fact or other legal representative, containing written instructions as to the details of the transfer of such Notes. No transfer of any Note shall be effective until entered on the registration books maintained by the Trustee or its successor. In like manner, Notes may be exchanged by the registered owners thereof or by their duly authorized attorneys-in-fact or other legal representatives for Notes of authorized denomination or denominations in the same aggregate principal amount.

No Redemption Prior to Maturity

The Notes are not subject to redemption prior to maturity.

Additional Notes

The Act and the Loan Authorization permit the City to issue additional tax and revenue anticipation notes, subject to certain limitations. The City has reserved the right in the Loan Authorization to issue up to \$50,000,000 aggregate principal amount of additional tax and revenue anticipation notes payable from the taxes and revenues of the City's General Fund, which notes may be issued in one or more series, having separate series designations. Any additional notes will be equally and ratably secured with the Notes, until such notes are paid or until deposits for such payment have been made into a trust fund established for such notes, by a pledge of a security interest in, and a first lien and charge on, the taxes and revenues of the City to the account of the General Fund during the period such notes are outstanding. Holders of additional notes will not have a claim on or a security interest in the Note Fund.

Modification of Loan Authorization and Trust Agreement

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

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

All other amendments require the consent of the registered owners of at least a majority in principal amount of the Notes then outstanding. However, any amendment with respect to amounts required to be deposited in the Note Fund, the maturity date of the Notes or the Article of the Trust Agreement governing amendments requires the consent of the registered owners of all of the outstanding Notes. Any amendment to the amounts required to be deposited in the Note Fund, the Note Deposit Requirement Dates or the date of the maturity of the Notes shall only be effective if both the Trust Agreement and the Loan Authorization shall have been duly amended in the same particulars.

BOOK-ENTRY ONLY SYSTEM

Portions of the following information concerning DTC and DTC's book-entry only system have been obtained from DTC. The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City and the Underwriters believe to be reliable; however, the City and the Underwriters take no responsibility for, and make no representation as to, the accuracy of such information.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law,

a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 110 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 Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its

usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

So long as Cede & Co. is the registered owner of the Notes, as nominee of DTC, references herein to the Noteholders or registered owners or holders of the Notes means Cede & Co., not the Beneficial Owners of the Notes.

THE CITY, THE TRUSTEE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE NOTES (i) PAYMENTS OF THE PRINCIPAL OF, OR INTEREST ON, THE NOTES, OR (ii) CONFIRMATION OF OWNERSHIP INTERESTS IN THE NOTES, 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 SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE CITY, THE TRUSTEE NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OF THE NOTES WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (ii) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, OR INTEREST ON, ANY NOTES, (iii) THE DELIVERY OF ANY NOTICE BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, OR (iv) ANY OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

Discontinuation of Book-Entry Only System

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

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

SECURITY FOR THE NOTES

General

The Act provides that all tax and revenue anticipation notes issued in a single fiscal year shall be equally and ratably secured by the pledge of, security interest in, and a lien and charge on, the taxes or revenues or both of the City specified in the Loan Authorization to be collected or received during the period when such notes are outstanding. As required by the Act, the Loan Authorization grants such pledge, security interest and lien and charge on the taxes and revenues to be collected or received by the City for the account of the General Fund from the date of original delivery of the Notes until the earlier of (i) payment or provision for payment of the principal of and interest on the Notes, or (ii) June 30, 2011.

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

Note Fund

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

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

<u>Note Deposit Requirement Date</u>	<u>Note Deposit Requirement</u>
May 27, 2011	\$285,000,000
June 28, 2011	\$5,262,739.73
	(all interest due on June 30, 2011)

The Loan Authorization and the Trust Agreement require the Trustee to determine no later than 3:00 P.M. Philadelphia time, on June 28, 2011 whether the amount on deposit in the Note Fund equals the entire principal of and interest due on the Notes on June 30, 2011. Any deficiency in any required deposit must be cured by the City by 10:00 A.M. on the succeeding business day following the deposit date. Payments from the Note Fund shall be applied first to interest due on the Notes, and then to principal due on the Notes.

Moneys on deposit in the Note Fund may be invested only in direct obligations of the United States of America, obligations the principal of and interest on which are unconditionally guaranteed by the full

faith and credit of the United States of America, obligations of certain agencies and instrumentalities of the United States of America, or agreements for the repurchase of such obligations, all as more fully described in the Trust Agreement and Loan Authorization, all such obligations to mature or be subject to redemption at the option of the holder at not less than par or the purchase price therefor on or prior to June 30, 2011.

Funds and investments in the Note Fund shall be applied solely to the payment of principal of and interest on the Notes at maturity and are not available as security for the holders of any additional notes.

As soon as the amount on deposit in the Note Fund is equal to the entire principal of and interest due on the Notes on June 30, 2011, any balance in the Note Fund in excess of such amount shall be paid by the Trustee to the City.

General Fund Receipts Collection and Transfer

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

General Fund Receipts are defined in the Trust Agreement to mean the income of the City received from all sources for the account of the General Fund during Fiscal Year 2011, including, without limitation, general property taxes; wage, earnings and net profits taxes; business privilege taxes; sales and use taxes; and revenue from other governments, including the Commonwealth; provided, however, that at no time shall General Fund Receipts include (i) any taxes or other revenues collected by the City on behalf of The School District of Philadelphia, Pennsylvania (the “School District”), which taxes and revenues are at all times the sole property of the School District, or (ii) the Pennsylvania Intergovernmental Cooperation Authority Tax, as defined in the Act, collected by the City as agent for the Commonwealth Department of Revenue, which tax is at all times the sole property of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”).

The City maintains an account (the “Concentration Account”) in the commercial department of Wells Fargo Bank, N.A., successor by merger with Wachovia Bank, National Association (the “Concentration Account Bank”), for the deposit of the daily collection of the major categories of General Fund Receipts and other income of the City received by the Department of Revenue. The City maintains accounts at a number of other banks in the City for the direct deposit of its Realty Transfer Tax Receipts and certain other items of General Fund Receipts, as well as other revenues of other member funds of the City’s Consolidated Cash Account. The Concentration Account is the largest account maintained by the City and is the depository for the bulk of General Fund Receipts. In addition to the daily deposit of General Fund Receipts collected by the Department of Revenue, the Concentration Account receives, by wire transfer from the Commonwealth Treasurer, payments from the Commonwealth which accrue to the General Fund. In the Trust Agreement, the City has authorized and directed the Concentration Account Bank to transfer General Fund Receipts from the Concentration Account to the Trustee for deposit in the Note Fund on May 27, 2011 and June 28, 2011 in such amounts as are required for such scheduled deposits.

Remedies of Noteholders

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

The Act further grants the Trustee the right on behalf of the Noteholders to enforce the pledge of, security interest in, and lien and charge on, the pledged taxes and revenues of the City against all governmental agencies in possession of any such taxes and revenues at any time, which taxes and revenues

may be collected directly from such officials upon notice by the Trustee for application to the payment of the Notes as and when due or for deposit in the Note Fund at the times and in the amounts specified in the Notes. The Trust Agreement requires the Trustee to enforce the pledge granted to secure the Notes in the manner described in the preceding sentence without further direction from the Noteholders, in the event the City fails to make any scheduled deposit into the Note Fund at the times prescribed in the Trust Agreement.

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

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

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

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

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

The Trust Agreement provides that the Trustee shall not be required to exercise any of the foregoing remedies (other than direct collection of pledged revenues from Commonwealth and local public officers) unless the Trustee receives (i) written direction from the registered owners of at least a majority in principal amount of the Notes then outstanding, and (ii) indemnity satisfactory to it. If the Trustee receives such written direction and indemnity and declines to take the action specified, registered owners may proceed to enforce the remedies granted under the Act directly against the City.

Limitation of Remedies

The rights and remedies of holders of the Notes may be subject to the provisions of Chapter 9 of the Federal Bankruptcy Code (the "Bankruptcy Code"). In general, Chapter 9 of the Bankruptcy Code permits, under prescribed circumstances, a political subdivision of a state to commence a voluntary bankruptcy proceeding and to file a plan of adjustment in the repayment of its debts, if such political subdivision is generally not paying its debts as they become due (unless such debts are the subject of a bona fide dispute), or is unable to pay its debts as they become due. Under the Bankruptcy Code, an involuntary petition cannot be filed against a political subdivision. In order to proceed under Chapter 9 of the Bankruptcy Code, the political subdivision must be authorized under state law to file a petition under the Bankruptcy Code. The Act prohibits both the City and PICA from filing a petition under the Bankruptcy Code while any bonds issued by PICA are outstanding. As of the close of business on June 30, 2010, bonds issued by PICA in the aggregate principal amount of \$533,945,000 were outstanding, which mature in the calendar years 2011 through and including 2023.

The Act further prohibits the City from filing such a petition during any period when any bonds issued by PICA are outstanding, unless the petition has first been submitted to, and its filing, together with

the plan for adjustment of debts, has been approved in writing by, the Governor of the Commonwealth (the “Governor”). Before approving the petition and plan, the Governor is required to investigate the financial condition of the City to determine whether the presentation of the petition is justified or represents an unjust attempt to evade payment of some of the petitioner’s contractual obligations. The Governor has the right to require modification of any proposed plan before granting approval of a petition.

The filing of a petition in bankruptcy operates as an automatic stay of the commencement or the continuation of any judicial or other proceeding against the petitioner, its property or any officer or inhabitants thereof. The petitioner must file a plan for adjustment of the debts, which may include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The Bankruptcy Code may be interpreted to allow confirmation of a plan over the objection of one or more classes of creditors in certain circumstances.

The above references to the Bankruptcy Code are not to be construed as an indication that the City expects to resort to the provisions of the Bankruptcy Code.

THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

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

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

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

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

Government Services

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

Local Government Agencies

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

The Southeastern Pennsylvania Transportation Authority (“SEPTA”), which is supported by transit revenues and Federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region.

The Philadelphia Parking Authority (“PPA”) is responsible for the construction and operation of parking facilities in the City and at the Philadelphia International Airport and, by contract with the City, for enforcement of on-street parking regulations.

The Philadelphia Municipal Authority (formerly The Equipment Leasing Authority of Philadelphia) (“PMA”) was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA’s powers have been expanded to include, without limitation, the construction and leasing of municipal solid waste disposal facilities, correctional facilities, and other municipal buildings.

The Redevelopment Authority of the City of Philadelphia (the “Redevelopment Authority”) and the Philadelphia Housing Authority develop and/or administer low and moderate income rental units and housing in the City. The Redevelopment Authority, supported by Federal funds through the City’s Community Development Block Grant Fund and by Commonwealth and local funds, is responsible for the redevelopment of the City’s blighted areas.

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

The Philadelphia Industrial Development Corporation (“PIDC”) and its affiliate, the Philadelphia Authority for Industrial Development (“PAID”), coordinate the City’s efforts to maintain an attractive business environment and to attract new businesses to the City and retain existing ones.

The Pennsylvania Convention Center Authority (the “Convention Center Authority”) constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25, 1993. The Pennsylvania Convention Center is owned by the Commonwealth and leased to the Convention Center Authority. The Commonwealth, the City and the Convention Center Authority have entered into an

operating agreement with respect to the operation and financing of the Pennsylvania Convention Center. The Convention Center Authority is currently undertaking an expansion of the Pennsylvania Convention Center.

School District

The School District was established by the Educational Supplement to the City's Home Rule Charter to provide free public education to the City's residents. Under the Home Rule Charter, its board is appointed by the Mayor and must submit a lump sum statement of expenditures to the City annually. Such statement is used by City Council in making its determination to authorize the levy of taxes on behalf of the School District. Certain financial information regarding the School District is included in the City's Comprehensive Annual Financial Report. It has no independent taxing powers and may levy only the taxes authorized on its behalf by the City and the Commonwealth. Under the Home Rule Charter, the School District is managed by a nine-member Board of Education appointed by the Mayor from a list supplied by an Educational Nominating Panel that is chosen by the Mayor. In some matters, including the incurrence of short-term and long-term debt, both the City and the School District are governed primarily by the laws of the Commonwealth. The School District is a separate political subdivision of the Commonwealth and the City has no property interest in or claim on any revenues or property of the School District.

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

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

General

The Pennsylvania Intergovernmental Cooperation Authority ("PICA") was created on June 5, 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "Act"). PICA was established to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. The Act provides that, upon request by the City to PICA for financial assistance and for so long as any bonds issued by PICA remain outstanding, PICA shall have certain financial and oversight functions. Under the Act, PICA no longer has the authority to issue bonds for new money purposes, but may refund bonds previously issued by it. PICA has the power, in its oversight capacity, to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify non-compliance by the City with the then-existing five-year plan adopted by the City pursuant to the Act. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place; and PICA is required to certify non-compliance with an approved five-year plan if the City has failed to file mandatory revisions to an approved five-year plan. Under the Act, any such certification of non-compliance would require the Secretary of the Budget of the Commonwealth to

withhold payments due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payment of the portion of the PICA Tax, hereinafter described, otherwise payable to the City). See “Source of Payment of PICA Bonds” below.

PICA has previously issued eleven series of bonds. Two series of bonds remain outstanding: (i) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009 issued in the original aggregate principal amount of \$354,925,000 and (ii) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 in the original principal amount of \$206,960,000.

The proceeds of the previous series of bonds issued by PICA were used (1) to make grants to the City to fund General Fund deficits of the City, to fund the costs of certain capital projects undertaken by the City, to provide other financial assistance to the City to enhance productivity in the operation of City government, and to defease certain general obligation bonds of the City, (2) to refund other bonds of PICA and (3) to pay costs of issuance.

As of the close of business on June 30, 2010, the principal amount of PICA bonds outstanding was \$533,945,000.

Source of Payment of PICA Bonds

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

The Act authorizes PICA to pledge the PICA Tax to secure its bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing the rate of the PICA Tax while any bonds secured by the PICA Tax are outstanding.

The Act requires that proceeds of the PICA Tax in excess of amounts required for (i) debt service, (ii) replenishment of any debt service reserve fund for bonds issued by PICA, and (iii) certain PICA operating expenses, be deposited in a trust fund established pursuant to the Act exclusively for the benefit of the City and designated the “City Account.” Amounts in the City Account are required to be remitted to the City not less often than monthly, but are subject to withholding if PICA certifies the City’s non-compliance with the then-current five-year plan.

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

The total amount of PICA Tax remitted to PICA by the State Treasurer (which is net of the costs of the State Treasurer in collecting the PICA Tax) for each of the Fiscal Years 2001 through 2009, the current estimate for Fiscal Year 2010 and the adopted budget for Fiscal Year 2011, are set forth below:

<u>Year</u>	<u>Amount</u>
2001	\$273.6 million
2002	278.0 million
2003	281.5 million
2004	285.0 million
2005	300.2 million
2006	309.9 million
2007	327.9 million
2008	341.8 million
2009	348.5 million
2010 (Current Estimate)	354.3 million
2011 (Adopted Budget)	361.9 million

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

Five-Year Plans of the City

One of the conditions precedent to the issuance of bonds by PICA was the development by the City and approval by PICA of a five-year financial plan. The original five-year plan, which covered Fiscal Years 1992 through 1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and by PICA on May 18, 1992. In each subsequent year, the City updated the previous year's five-year plan, each of which was adopted by City Council, signed by the Mayor and approved by PICA.

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

The Mayor presented the Eighteenth Five-Year Plan (the "Eighteenth Five-Year Plan") to City Council on March 19, 2009. City Council reviewed the Fiscal Year 2010 Operating Budget and Eighteenth Five-Year Plan on March 25, 2009. City Council approved the Fiscal Year 2010 Budget on May 21, 2009, and the Mayor signed it on May 27, 2009. The City submitted the revised Eighteenth Five-Year Plan to PICA in June 2009 for PICA's approval. The Eighteenth Five-Year Plan included a 1% City Sales Tax increase through Fiscal Year 2014. Additionally, the Eighteenth Five-Year Plan assumed a partial deferral of the City's pension payment in Fiscal Year 2010 (\$150 million) and Fiscal Year 2011 (\$80 million) to be paid back by Fiscal Year 2014. In addition to the deferral, the City changed the amortization period from 20 years to 30 years and lowered the interest rate assumption from 8.75 percent to 8.25 percent.

PICA's Board approved the City's Eighteenth Five-Year Plan on July 21, 2009 with several conditions, including that the Eighteenth Five-Year Plan would be deemed disapproved if (i) the General Assembly of the Commonwealth failed to enact legislation authorizing the City to increase the City's sales tax and change the City's pension fund payments by August 15, 2009 or such earlier date that the General Assembly recessed for the summer, or (ii) the City failed to provide PICA by August 20, 2009 with a list of items that could generate at least \$25 million in additional savings or recurring revenues in each year of the Eighteenth Five-Year Plan. If either of the conditions referred to above were not met, the City would be required to submit a revised Eighteenth Five-Year Plan within 15 days of the deemed disapproval. The City prepared the information required in clause (ii) and submitted it to PICA on August 20, 2009. In addition, on September 1, 2009, the City formally submitted a revised Five-Year Plan for Fiscal Years 2010 through 2014. PICA approved the revised Eighteenth Five-Year Plan on September 16, 2009, subject to the

enactment of the legislation authorizing the increase in the City's sales tax and change in the City's pension fund payments. The Commonwealth enacted such legislation on September 18, 2009.

The Mayor presented the Nineteenth Five-Year Plan (the "Nineteenth Five-Year Plan") to City Council on March 4, 2010. City Council reviewed the Fiscal Year 2011 Operating Budget and Nineteenth Five-Year Plan on March 10, 2010. City Council approved the Fiscal Year 2011 Budget on May 20, 2010, and the Mayor signed it on June 1, 2010. The City submitted a revised Nineteenth Five-Year Plan to PICA on July 14, 2010 for PICA's approval. The Nineteenth Five-Year Plan includes a 9.9 percent Real Estate Tax increase through Fiscal Year 2012 which is estimated to yield \$86 million and a new tax on smokeless tobacco products which is estimated to generate \$4.0 million in Fiscal Year 2011.

CITY FINANCIAL PROCEDURES

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

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City of Philadelphia contained in the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2009 (the "Fiscal Year 2009 Comprehensive Annual Financial Report").

The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the Fiscal Year 2009 Comprehensive Annual Financial Report.

Principal Operations

The major operations of the City are conducted through the General Fund. In addition to the General Fund, operations of the City are conducted through two other major governmental funds and 12 minor governmental funds. The two major governmental funds and three of the minor governmental funds are financed solely through grants from the Commonwealth and Federal government. The City's Debt Service Fund and Capital Projects Fund are also included with the minor governmental funds.

Fund Accounting

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

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

The City maintains twenty-three individual governmental funds. The City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2009), presents data separately

for the General Fund, Grants Revenue Fund and Health Choices Behavioral Health Fund, which are considered to be major funds. Data for the remaining twenty funds are combined into a single aggregated presentation.

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

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2009), as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

Basis of Accounting and Measurement Focus

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

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

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

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

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

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

The City reports on the following Fiduciary Funds:

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.
- The Philadelphia Gas Works Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its noncontributory pension plan.

The City reports on the following major Proprietary Funds:

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

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

Legal Compliance

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

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

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

Schedules prepared on the legally enacted basis differ from the GAAP basis in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures.

Budget Procedure

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

At least thirty days before the end of each Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing years. If the Mayor disapproves the bill, he must return it to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives it. If the Mayor does not return the ordinance within the time required, it becomes law without his approval. If City Council passes the bill by a vote of two-thirds of all of its members within seven days after the bill has been returned with the Mayor's disapproval, it becomes law without his approval. The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, Federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. See Table 21 for a summary of the City's capital improvement program for the Fiscal Years 2011 through 2016.

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

Awards

For the twenty-ninth consecutive year, the Government Finance Officers Association of the United States and Canada 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, 2008. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

Consolidated Cash

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

The Consolidated Cash Account provides for the physical commingling of the cash of all City Funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of PGW, the Water Fund, the Aviation Fund and

certain other restricted purpose funds). A separate accounting is maintained for the equity of each member fund in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the following procedures:

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

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

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

Investment Practices

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

Investment guidelines for the City are embodied in legislation approved by City Council appearing in the Philadelphia City Code, Chapter 19. In furtherance of the City, State, and Federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that first went into effect in August 1994 and most recently was revised in April 2001. The Policy supplements other legal requirements and establishes a comprehensive investment policy for the overall administration and effective management of all monetary funds (except the Municipal Pension Fund and PGW Retirement Reserve Fund). Revisions to the Policy are currently being considered.

The Policy delineates the authorized investments as approved by City Council Ordinance and the funds to which the Policy applies. The authorized investments include U.S. Government Securities, U.S. Treasuries, U.S. Agencies, Collateralized Certificates of Deposit, Bankers Acceptance Notes, Eurodollar Deposits, Euro Certificates of Deposit, Commercial Paper, Corporate Bonds, Money Market Mutual Funds, Repurchase Agreements and Commonwealth of Pennsylvania securities, all of investment grade rating or better. Each category of instruments, excluding U.S. Government Treasury and Agency securities which carry no limitation, is limited to investment of no more than 25% of the total portfolio, and no more than 10% of the total portfolio per institutional or corporate issuer. The Policy also restricts investments to those having a maximum maturity of two years. Daily liquidity is maintained through the use of SEC-registered

money market mutual funds with the balance of funds invested by the City or money managers in accordance with the Policy.

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

The Policy expressly forbids the use of any derivative investment product whose yield or market value does not follow the normal swings in interest rates. Investment in derivatives such as "inverse floaters," leveraged variable rate debt and interest-only or principal-only Collateralized Mortgage Obligations are specifically forbidden. The use of any other derivative investment products is restricted to identified "core cash" in any fund but never to exceed 25% of any fund's balance at the time of purchase. The City currently makes no investments in derivatives.

General Fund Cash Flow

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

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

The Commonwealth Fiscal Year 2011 budget recently passed, and the City is currently analyzing the Commonwealth's budget to determine how it will affect the City's Fiscal Year 2011 Adopted Budget. See "REVENUES OF THE CITY - Major Revenue Sources - Revenue from Other Governments".

The City issued \$275 million of Tax and Revenue Anticipation Notes in November 2009. These notes were repaid on June 30, 2010.

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Table 1
City of Philadelphia
Notes Issued in Anticipation of Receipt of Income by General Fund
Fiscal Years 2005-2011
(Amount in millions)

	2005	2006	2007	2008	2009	2010	2011
Total Authorized Tax and Revenue Anticipation Notes ⁽¹⁾	\$370.0	\$370.0	\$310.0	\$200.0	\$350.0	\$275.0	\$285.0
Total Additional Notes Authorized ⁽²⁾	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0
Maximum amount outstanding during year at any time	\$420.0	\$420.0	\$360.0	\$250.0	\$400.0	\$325.0	\$335.0
Amount outstanding at year end	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maximum amount outstanding as a percentage of General Fund Revenues	11.96%	11.82%	9.62%	6.72%	10.77%	8.59% ⁽³⁾	8.70% ⁽³⁾

⁽¹⁾ Amount represents General Fund borrowing

⁽²⁾ This amount includes the Intergovernmental Transfer Notes that are outstanding for one day

⁽³⁾ Percentage based on estimated General Fund Revenues

The following Tables set forth the City's actual cash flow results for Fiscal Year ended 2010 and projected cash flow results for Fiscal Year 2011.

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Table 2

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE

EQUITY IN CON CASH GENERAL FUND FY2010

FY 2010

Actual through June

	(Amounts in \$millions)												Total	Accrued	Under (Over)	Current Revenues	
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	Mar 31	April 30	May 31	June 30					
REVENUES																	
Property Taxes	5.9	7.0	5.2	3.9	4.5	13.5	34.0	235.2	71.5	11.7	6.0	11.4	409.8			10.9	398.9
Wage, Earnings, NP Tax	95.8	99.8	76.1	90.2	98.9	84.8	105.4	98.3	97.2	99.1	98.9	87.6	1132.1			(4.2)	1136.3
Realty Transfer Tax	10.9	9.7	9.8	8.9	9.1	12.6	9.0	5.4	8.8	9.9	11.5	12.8	118.4			3.7	114.7
Sales Tax	10.0	11.9	9.9	9.4	10.7	15.5	18.2	22.3	16.6	18.3	22.1	19.3	184.2	20.0		(1.1)	204.8
Business Privilege Tax	5.0	8.1	8.5	8.5	(7.5)	8.8	6.7	2.6	34.9	210.9	60.5	11.7	358.7			(12.5)	376.7
Other Taxes	7.8	9.5	7.2	6.6	9.4	7.9	6.6	5.7	6.4	12.5	6.8	7.4	93.8			(0.9)	94.7
Locally Generated Non-tax	18.4	19.8	16.7	18.0	18.8	20.1	19.9	16.7	23.0	16.6	21.5	20.4	229.9	0.0		(17.4)	247.3
Other Governments	4.0	54.8	56.6	164.0	24.6	13.6	17.5	22.0	4.6	8.9	138.2	141.1	649.9	190.0		(15.8)	855.7
Other Governments-PICA	25.0	19.9	16.4	25.3	26.6	20.2	44.0	28.3	31.5	19.5	18.1	9.6	284.4	6.0		2.2	288.2
Interfund Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.1	0.0	4.8	16.9	16.1		0.0	33.0
Total Current Revenue	182.8	240.5	206.4	334.8	195.1	197.0	261.3	436.5	294.5	419.5	383.6	326.1	3478.1	232.1		(35.1)	3750.3
Collection of 6-30-09/Govt.	14.5	84.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	99.2	0.0			
Other Fund Balance Adj.	0.0	0.0	15.0										0.0	15.0			
Non-revenue receipts													0.0	0.0			
Non-budget items													0.0	0.0			
TOTAL CASH RECEIPTS	197.3	325.2	221.4	334.8	195.1	197.0	261.3	436.5	294.5	419.5	383.6	326.1	3592.3				
EXPENSES AND OBLIGATIONS																	
Payroll	87.6	106.0	112.7	104.1	103.9	155.5	104.7	101.3	109.4	99.4	99.6	139.6	1,323.8	28.9	0.0	0.0	1,381.3
Employee Benefits	39.1	41.1	40.2	41.2	42.4	36.1	36.3	44.2	33.9	39.0	44.0	33.8	471.3	19.7	0.0	0.0	498.1
Pension	3.7	(2.8)	13.4	49.2	(2.8)	1.7	(2.7)	(2.0)	211.0	85.0	(2.4)	(3.9)	347.4	0.0	0.0	0.0	350.1
Purchase of Services	22.2	29.6	92.6	129.4	101.7	90.5	79.2	87.7	94.6	92.7	67.5	82.4	970.1	77.8	130.0	0.0	1,127.7
Materials, Equipment	1.5	1.5	5.9	6.2	4.1	3.1	6.9	3.8	6.2	10.5	5.4	6.0	61.1	5.8	6.8	0.0	75.4
Contributions, Indemnities	5.7	0.5	11.5	9.8	2.4	10.7	2.6	6.1	12.6	2.8	4.0	58.6	127.3	1.2	0.0	0.0	128.1
Debt Service-Short Term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.5	4.5			0.0	5.0
Debt Service-Long Term	8.5	29.7	0.0	5.0	5.7	6.4	16.8	7.3	1.4	0.5	19.8	0.0	101.1	0.0	0.0	0.0	102.9
Interfund Charges	0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.3	26.3	0.0	0.0	28.5
Advances, Subsidies	0.0	24.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.2	0.0		0.0	25.0
Current Year Appropriation	168.6	230.3	276.3	344.9	257.4	304.0	243.8	248.4	469.1	329.9	237.9	321.5	3,432.1	159.7	136.8	0.0	3,722.1
Prior Year Encumbrances	46.1	0.0	16.5	36.6	4.9	16.6	2.8	5.3	1.4	1.7	2.4	1.0	135.3	0.0	0.0	0.0	161.3
Prior Year Vouchers Payable	50.2	13.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	63.2	159.7	136.8		
TOTAL DISBURSEMENTS	264.9	243.3	292.8	381.5	262.3	320.6	246.6	253.7	470.5	331.6	240.3	322.5	3,630.6				
Excess (Def) of Receipts over Disbursements	(67.6)	81.9	(71.4)	(46.7)	(67.2)	(123.6)	14.7	182.8	(176.0)	87.9	143.3	3.6	(38.4)				
Opening Balance	7.8	(59.8)	22.1	220.7	174.0	111.8	(11.8)	2.9	185.7	9.6	97.6	(34.2)	7.8				
TRANS	0.0	0.0	270.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	(275.0)	0.0	0.0				
CLOSING BALANCE	(59.8)	22.1	220.7	174.0	111.8	(11.8)	2.9	185.7	9.6	97.6	(34.2)	(30.6)	(30.6)				

Table 3

OFFICE OF THE DIRECTOR OF FINANCE
 CASH FLOW PROJECTIONS
 CONSOLIDATED CASH--ALL FUNDS--FY2010

FY2010

(Amounts in \$millions)

	Actual						Estimate					
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	(59.8)	22.1	220.7	174.0	111.8	(11.8)	2.9	185.7	9.6	97.6	(34.2)	(30.6)
Grants Revenue	59.3	106.0	44.0	44.2	80.7	72.4	87.7	86.5	96.0	61.5	76.1	129.0
Community Development	(8.9)	(4.9)	(3.3)	(4.3)	(0.3)	(0.5)	(2.7)	(2.4)	(4.4)	(1.6)	(12.9)	(10.3)
Vehicle Rental Tax	5.5	6.0	3.5	3.9	4.3	4.6	5.0	5.3	3.6	3.9	4.4	4.7
Hospital Assessment Fund	4.0	4.0	4.0	28.8	6.0	8.0	8.9	8.0	30.5	9.8	20.2	12.0
Housing Trust Fund	21.1	21.8	21.2	20.7	20.6	19.5	19.2	18.9	18.5	17.8	17.8	18.1
Other Funds	6.0	12.6	20.0	15.6	14.6	11.8	8.5	26.5	13.2	9.0	11.9	19.6
TOTAL OPERATING FUNDS	<u>27.2</u>	<u>167.6</u>	<u>310.1</u>	<u>282.9</u>	<u>237.7</u>	<u>104.0</u>	<u>129.5</u>	<u>328.5</u>	<u>167.0</u>	<u>198.0</u>	<u>83.4</u>	<u>142.5</u>
Capital Improvement	165.5	172.9	164.7	155.1	152.0	149.4	133.4	140.3	135.3	130.9	129.0	129.3
Industrial & Commercial Dev.	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.7	4.7	4.7	4.7	4.7
TOTAL CAPITAL FUNDS	<u>170.0</u>	<u>177.4</u>	<u>169.2</u>	<u>159.6</u>	<u>156.5</u>	<u>153.9</u>	<u>137.9</u>	<u>145.0</u>	<u>140.0</u>	<u>135.6</u>	<u>133.7</u>	<u>134.0</u>
TOTAL FUND EQUITY	<u>197.2</u>	<u>345.0</u>	<u>479.3</u>	<u>442.5</u>	<u>394.2</u>	<u>257.9</u>	<u>267.4</u>	<u>473.5</u>	<u>307.0</u>	<u>333.6</u>	<u>217.1</u>	<u>276.5</u>

Table 4

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE
 GENERAL FUND FY2011

Amounts in Millions

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30	Total	Accrued	Estimated Revenues	
REVENUES																
Real Estate Tax	7.3	9.0	8.0	7.9	5.9	16.5	38.4	237.8	115.3	26.7	9.2	9.5	491.4		491.4	
Total Wage, Earnings, Net Profits	92.1	100.6	82.7	92.6	100.8	83.1	109.2	87.9	96.9	98.0	109.5	90.1	1143.5		1143.5	
Realty Transfer Tax	10.0	11.6	10.0	9.8	10.2	10.3	10.5	7.0	9.6	10.3	10.9	11.0	121.2		121.2	
Sales Tax	19.7	20.4	20.6	18.0	21.7	19.5	19.4	23.4	19.0	19.1	21.0	20.1	241.8		241.8	
Business Privilege Tax	2.4	2.5	10.7	7.0	(1.7)	6.0	7.5	5.4	17.3	133.1	128.3	32.2	350.7		350.7	
Other Taxes	7.5	10.6	7.5	7.6	7.4	6.9	6.8	9.4	5.7	11.9	8.0	8.5	97.7		97.7	
Locally Generated Non-tax	18.9	26.3	20.7	18.2	20.7	26.1	23.5	20.4	25.0	19.4	22.4	27.8	269.3		269.3	
Total Other Governments	5.8	104.4	58.0	54.4	136.7	11.2	17.9	115.1	20.5	8.5	119.9	37.2	689.4	95.3	784.7	
Total PICA Other Governments	19.7	29.3	14.7	23.4	27.0	13.1	30.9	27.4	29.5	23.6	34.7	22.3	295.6		295.6	
Interfund Transfers	0.1	0.3	0.4	0.2	0.4	0.4	0.2	0.5	0.4	0.4	0.2	10.2	13.7	39.6	53.3	
Total Current Revenue	183.3	315.0	233.2	239.0	329.1	193.1	264.2	534.2	339.2	350.9	464.1	269.1	3714.3	134.9	3849.2	
Collection of prior year(s) revenue	144.8	24.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	169.0			
Other fund balance adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
TOTAL CASH RECEIPTS	328.1	339.2	233.2	239.0	329.1	193.1	264.2	534.2	339.2	350.9	464.1	269.1	3883.3			
EXPENSES AND OBLIGATIONS																
Payroll	115.2	97.1	97.1	105.0	97.1	138.3	103.7	97.1	105.0	97.1	97.1	146.1	1295.9	48.5	0.0	1344.4
Employee Benefits	39.6	39.1	37.3	41.3	36.6	45.5	43.2	36.7	40.3	36.5	37.7	36.1	469.9	15.0	0.0	484.9
Pension	3.7	0.0	0.0	73.6	0.0	0.0	3.7	0.0	305.1	93.9	0.0	0.0	480.0	0.0	0.0	480.0
Purchase of Services	22.5	50.2	96.2	96.3	101.0	77.8	88.8	87.2	105.4	87.0	93.7	74.2	980.2	30.0	130.0	1140.2
Materials, Equipment	5.8	3.7	7.2	5.7	5.5	6.1	5.1	5.3	6.1	5.7	5.9	5.2	67.2	4.8	4.0	76.0
Contributions, Indemnities	13.0	4.9	6.0	2.9	4.0	7.9	3.0	6.2	8.6	11.3	28.7	12.8	109.2	4.0	0.0	113.2
Debt Service-Short Term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.0	11.0	0.0	0.0	11.0
Debt Service-Long Term	8.3	27.9	7.8	0.6	2.8	5.1	6.1	25.2	1.2	0.6	15.0	9.8	110.4	0.0	0.0	110.4
Interfund Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.6	27.4	0.0	28.0
Advances, Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Year Appropriation	208.1	222.9	251.5	325.5	246.9	280.7	253.5	257.6	571.8	332.0	278.1	295.8	3524.4	129.7	134.0	3788.1
Prior Year Encumbrances	41.7	33.9	10.4	7.8	5.2	11.3	6.8	2.7	4.9	4.2	2.7	2.4	134.0			134.0
Prior Year Vouchers Payable	69.9	45.9	6.7	1.9	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	124.7			124.7
TOTAL DISBURSEMENTS	319.7	302.6	268.6	335.1	252.5	292.0	260.3	260.3	576.6	336.2	280.8	298.3	3783.1			
Excess (Def) of Receipts over Disbursements	8.4	36.6	(35.4)	(96.2)	76.6	(99.0)	3.9	273.9	(237.4)	14.7	183.3	(29.2)				
Opening Balance	(30.6)	262.8	299.4	264.0	167.8	244.4	145.4	149.3	423.2	185.7	200.5	98.8				
TRANS	285.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(285.0)	0.0				
CLOSING BALANCE	262.8	299.4	264.0	167.8	244.4	145.4	149.3	423.2	185.7	200.5	98.8	69.6				

Table 5

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE
 CONSOLIDATED CASH--ALL FUNDS--FY2011

	Amounts in Millions											
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	262.8	299.4	264.0	167.8	244.4	145.4	149.3	423.2	185.7	200.5	98.8	69.6
Grants Revenue	50.0	70.0	44.0	44.2	50.0	50.0	50.0	50.0	50.0	40.0	40.0	40.0
Community Development	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Vehicle Rental Tax	5.2	5.6	6.0	6.4	6.8	7.2	7.6	8.0	5.9	6.4	6.9	7.4
Hospital Assessment Fund	2.0	4.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Housing Trust Fund	12.0	14.0	14.0	12.0	12.0	12.0	12.0	14.0	14.0	14.0	12.0	12.0
Other Funds	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
TOTAL OPERATING FUNDS	338.0	399.0	338.0	238.4	321.2	223.6	227.9	504.2	264.6	269.9	166.7	138.0
Capital Improvement	96.4	90.4	83.4	76.4	69.4	62.4	55.4	192.4	185.4	178.4	171.4	164.4
Industrial & Commercial Dev.	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
TOTAL CAPITAL FUNDS	100.9	94.9	87.9	80.9	73.9	66.9	59.9	196.9	189.9	182.9	175.9	168.9
TOTAL FUND EQUITY	438.9	493.9	425.9	319.3	395.1	290.5	287.8	701.1	454.5	452.8	342.6	306.9

DISCUSSION OF FINANCIAL OPERATIONS

Fiscal Year 2010 Adopted Budget

The City's Fiscal Year 2010 budget was presented to City Council on March 19, 2009, was approved by City Council on May 21, 2009, and signed by the Mayor on May 27, 2009. The budget projected estimated revenues of \$3.815 billion, obligations of \$3.694 billion and an ending fund balance of \$85.3 million after discharging the Fiscal Year 2009 fund balance deficit on the legally enacted basis. The budget included a 1 percent City Sales Tax increase which is estimated to yield \$97 million in Fiscal Year 2010 increasing to an estimated \$121 million in Fiscal Year 2014. The Sales Tax increase became effective on October 8, 2009.

Fiscal Year 2010 Current Estimate

With the delay in Commonwealth approval of the temporary Sales Tax increase, reduced child welfare funding, revisions to the pension amortization schedule and other reductions and delays in implementation of revenue initiatives, the City revised the Fiscal Year 2010 budget and Eighteenth Five Year Plan and submitted the revision to PICA on September 1, 2009. PICA approved the revised Eighteenth Five-Year Plan on September 16, 2009. The revised Fiscal Year 2010 estimate projects revenues of \$3.789 billion, obligations of \$3.727 billion and an ending fund balance on the legally enacted basis of negative \$51.7 million.

Fiscal Year 2011 Adopted Budget

The City's Fiscal Year 2011 budget was presented to City Council on March 4, 2010, was approved by City Council on May 20, 2010, and signed by the Mayor on June 1, 2010. The budget projects estimated revenues of \$3.909 billion, obligations of \$3.853 billion, an operating surplus of \$80.5 million, and an ending fund balance of \$42.6 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis. The budget includes a 9.9 percent Real Estate Tax increase which is estimated to yield \$86 million and a new tax on smokeless tobacco products which is estimated to generate \$4.0 million in Fiscal Year 2011. The City submitted a revised Nineteenth Five-Year Plan to PICA on July 14, 2010 for PICA's approval.

Fiscal Year 2011 Current Estimate

Revenues continue to be variable since the Adopted Budget. Currently, Fiscal Year 2010 tax collections are running below March 2010 estimates. The primary drivers are lower than anticipated collections for Real Estate Taxes, Real Property Transfer Taxes, and Business Privilege Taxes. These lower collections are being partially off-set by higher than projected tax collections for Sales Taxes and Wage Taxes. The Administration will be reducing Fiscal Year 2011 departmental spending by \$47 million to ensure healthy cash and fund balances. The revised estimate projects revenues of \$3.849 billion, obligations of \$3.789 billion, an operating surplus of \$85.6 million, and an ending fund balance of \$34 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis.

The Adopted Budget included \$30 million in anticipated collections from the Tax Amnesty Program. The Tax Amnesty results are still being processed, but it is estimated to achieve approximately \$42 million in the General Fund.

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Table 6
City of Philadelphia General Fund
Summary of Operations
(Legal Basis) (Amounts In Millions of USD)

	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2006</u>	<u>Actual</u> <u>2007</u>	<u>Actual</u> <u>2008</u>	<u>Actual</u> <u>2009</u>	<u>Current</u> <u>Estimate</u> <u>2010</u>	<u>Adopted</u> <u>Budget</u> <u>2011</u>
REVENUES								
Real Property Taxes	377.7	392.7	395.8	397.5	402.8	400.1	398.9	497.5
Wage and Earnings Tax	1,049.6	1,073.6	1,111.2	1,167.4	1,184.8	1,117.0	1,122.6	1,124.8
Net Profits Tax	13.0	13.7	14.6	15.3	12.5	12.2	13.7	12.7
Business Privilege Tax	309.2	379.5	415.5	436.4	398.8	386.0	358.2	369.2
Sales Tax ⁽¹⁾	108.0	119.9	127.8	132.6	137.3	128.2	205.3	241.9
Other Taxes ⁽²⁾	<u>202.2</u>	<u>250.9</u>	<u>304.1</u>	<u>286.7</u>	<u>260.3</u>	<u>209.3</u>	<u>236.4</u>	<u>225.8</u>
Total Taxes	<u>2,059.7</u>	<u>2,230.3</u>	<u>2,369.0</u>	<u>2,435.9</u>	<u>2,396.5</u>	<u>2,252.8</u>	<u>2,335.1</u>	<u>2,471.9</u>
Locally Generated Non-Tax Revenue	207.4	200.9	235.9	247.9	265.8	256.3	247.3	268.3
Revenue from Other Governments	801.1	1,054.6	924.5	1,032.9	1,033.4	993.4	1,169.7	1,115.6
Receipts from Other City Funds	<u>24.7</u>	<u>26.3</u>	<u>24.9</u>	<u>27.4</u>	<u>27.2</u>	<u>135.4</u>	<u>36.5</u>	<u>53.3</u>
Total Revenue	<u>3,092.9</u>	<u>3,512.1</u>	<u>3,554.3</u>	<u>3,744.1</u>	<u>3,722.8</u>	<u>3,637.9</u>	<u>3,788.6</u>	<u>3,909.1</u>
OBLIGATIONS/APPROPRIATIONS								
Personnel Services	1,278.3	1,243.5	1,250.2	1,327.6	1,390.7	1,406.3	1,381.3	1,369.2
Purchase of Services	1,050.3	1,090.1	1,065.7	1,151.6	1,188.7	1,174.2	1,133.2	1,153.8
Materials, Supplies and Equipment	70.6	71.5	82.1	89.1	92.1	82.7	75.4	80.1
Employee Benefits	598.9	704.7	760.2	890.3	983.0	973.2	848.2	964.9
Indemnities, Contributions and Grants	95.1	113.5	110.9	119.0	120.9	130.0	128.1	135.8
City Debt Service	93.7	89.7	82.9	89.1	87.2	100.9	107.9	121.4
Other	32.0	36.7	38.6	31.2	32.3	22.7	25.0	0.0
Payments to Other City Funds	<u>29.1</u>	<u>36.6</u>	<u>35.4</u>	<u>38.7</u>	<u>24.8</u>	<u>25.3</u>	<u>28.5</u>	<u>27.9</u>
Total Obligations/Appropriations	<u>3,248.0</u>	<u>3,386.3</u>	<u>3,426.0</u>	<u>3,736.6</u>	<u>3,919.8</u>	<u>3,915.3</u>	<u>3,727.6</u>	<u>3,853.1</u>
Operating Surplus (Deficit) for the Year	(155.4)	125.8	128.2	7.5	(197.0)	(277.4)	61.0	56.0
Net Adjustments – Prior Year	17.3	17.2	30.1	35.9	18.6	20.7	24.5	24.5
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	<u>91.3</u>	<u>(46.8)</u>	<u>96.2</u>	<u>254.5</u>	<u>297.9</u>	<u>119.5</u>	<u>(137.2)</u>	<u>(37.9)</u>
Cumulative Adjusted Year End Fund Balance (Deficit)	<u>(46.8)</u>	<u>96.2</u>	<u>254.5</u>	<u>297.9</u>	<u>119.5</u>	<u>(137.2)</u>	<u>(51.7)</u>	<u>42.6</u>

⁽¹⁾ Reflects one percent increase effective October 8, 2009.

⁽²⁾ Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.

FIGURES MAY NOT ADD UP DUE TO ROUNDING.

Table 7
City of Philadelphia
Principal Operating Funds (Debt Related)
Summary of Operations (Legal Basis)
(Amounts in Millions of USD)

	<u>Actual</u> 2004	<u>Actual</u> 2005	<u>Actual</u> 2006	<u>Actual</u> 2007	<u>Actual</u> 2008	<u>Actual</u> 2009	<u>Current</u> <u>Estimate</u> 2010	<u>Adopted</u> <u>Budget</u> 2011
REVENUES								
General Fund	3,092.8	3,512.1	3,554.3	3,744.1	3,722.8	3,637.9	3,788.6	3,909.1
Water Fund ⁽¹⁾	438.3	451.4	490.3	519.7	589.7	543.5	574.7	610.9
Aviation Fund ⁽²⁾	241.4	249.0	271.5	268.6	287.9	294.1	296.7	370.2
Other Operating Funds ⁽³⁾	<u>39.0</u>	<u>38.6</u>	<u>41.9</u>	<u>44.9</u>	<u>113.2</u>	<u>49.5</u>	<u>49.6</u>	<u>51.9</u>
Total Revenue	<u>3,811.5</u>	<u>4,251.1</u>	<u>4,358.0</u>	<u>4,577.3</u>	<u>4,713.6</u>	<u>4,525.0</u>	<u>4,709.6</u>	<u>4,942.1</u>
OBLIGATIONS/APPROPRIATIONS								
Personnel Services	1,444.7	1,409.0	1,412.9	1,498.2	1,568.9	1,579.0	1,556.9	1,552.4
Purchase of Services	1,197.0	1,250.0	1,233.5	1,328.5	1,441.4	1,369.2	1,359.2	1,409.1
Materials, Supplies and Equipment	119.2	121.9	136.2	145.9	151.1	140.7	145.6	158.9
Employee Benefits	662.1	784.9	845.3	990.1	1,095.8	1,091.4	941.0	1,086.7
Indemnities, Contributions and Taxes	99.7	117.3	116.5	122.6	127.1	135.9	153.2	148.4
Debt Service ⁽⁴⁾	344.6	336.8	337.6	348.8	346.7	384.8	401.4	437.7
Other	32.0	36.7	38.6	31.2	32.3	22.7	25.0	0.0
Payments to Other City Funds	<u>95.5</u>	<u>97.0</u>	<u>119.4</u>	<u>144.9</u>	<u>154.7</u>	<u>88.1</u>	<u>122.1</u>	<u>124.9</u>
Total Obligations/Appropriations	<u>3,994.8</u>	<u>4,153.6</u>	<u>4,240.0</u>	<u>4,610.2</u>	<u>4,917.9</u>	<u>4,811.8</u>	<u>4,704.4</u>	<u>4,918.2</u>
Operating Surplus (Deficit) for the Year	(183.4)	97.5	118.0	(32.8)	(204.3)	(286.8)	5.2	23.8
Net Adjustments Prior Year	41.0	45.8	60.6	69.6	51.0	41.8	56.7	53.7
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	<u>132.0</u>	<u>(10.4)</u>	<u>132.9</u>	<u>311.5</u>	<u>348.3</u>	<u>236.8</u>	<u>(50.0)</u>	<u>25.8</u>
Cumulative Adjusted Year End Fund Balance (Deficit)	<u>(10.4)</u>	<u>132.9</u>	<u>311.5</u>	<u>348.3</u>	<u>195.0</u>	<u>(50.0)</u>	<u>11.9</u>	<u>103.3</u>

⁽¹⁾ Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of \$4,994,000 per year, provided certain further conditions are satisfied. From Fiscal Year 1991 to Fiscal Year 2003, the maximum transfer, per administrative agreement, was \$4,138,000. For Fiscal Year 2004, the budgeted transfer was not made. For Fiscal Year 2005, the transferred amount was \$4,401,000. For Fiscal Year 2006, 2007 and 2008, the transferred amount was \$4,994,000. For Fiscal Year 2009, the transferred amount was \$4,185,463. The current estimate for Fiscal Year 2010 is \$2,025,000. The adopted Budget amount for Fiscal Year 2011 is \$3,004,000.

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

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

⁽⁴⁾ Excludes PICA bonds.

FIGURES MAY NOT ADD UP DUE TO ROUNDING.

Quarterly Reporting to PICA

On November 16, 1992, the City submitted the first of its quarterly reports to PICA. This reporting is required under the Act so that PICA may determine whether the City is in compliance with the then-current Five-Year Plan. Under the Act, a “variance” is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund of more than 1% of the revenues budgeted for such fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95% of the net cash flows of the City for such covered fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year. The Mayor is required to provide a report to PICA that describes actual or current estimates of revenues, expenditures, and cash flows by covered funds compared to budgeted revenues, expenditures, and cash flows by covered funds for such previous quarterly or monthly period and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

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

On February 20, 2009, based on results as reported in the December 31, 2008 Quarterly City Managers Report for December 31, 2008, PICA informed the City that a variance had been declared as defined in Section 4.10(a) of the Intergovernmental Cooperation Agreement. The City provided monthly information to PICA as requested. PICA agreed to accept the submission of the Eighteenth Five-Year Plan (Fiscal Years 2010 through 2014) as the City’s proposed remedial action to address the variance. The City revised the Eighteenth Five-Year Plan for Fiscal Years 2010 through 2014 and submitted it to PICA on September 1, 2009. On September 16, 2009, PICA approved the plan. The variance has been removed.

REVENUES OF THE CITY

General

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

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 8 for revenues by major source for Fiscal Years 2001-2011 and Table 9 for

General Fund tax revenues for Fiscal Years 2004-2011. The following description does not take into account revenues in the Non-Debt Related Funds. The tax rates for Fiscal Years 2000 through 2009 are contained in the Fiscal Year 2009 Comprehensive Annual Financial Report.

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

In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5% and imposed the PICA Tax on wages, earnings and net profits at the rate of 1.5% on City residents. The table below sets forth the resident and non-resident wage and earnings tax rates for Fiscal Years 2001-2011, and the annual wage and earnings tax receipts in Fiscal Years 2001-2011 and the estimated receipts in Fiscal Year 2010 and the adopted budget for Fiscal Year 2011.

<u>Fiscal Year</u>	<u>Resident Wage and Earnings Tax Rates⁽¹⁾</u>	<u>Non-Resident Wage and Earnings Tax Rates</u>	<u>Annual Wage and Earnings Tax Receipts (including PICA Tax) (Amounts in Millions)</u>
2001	4.5635%	3.9672%	\$1,332.6
2002	4.5385	3.9462	1,297.3
2003	4.5000	3.9127	1,306.6
2004	4.4625	3.8801	1,347.6
2005	4.3310	3.8197	1,387.5
2006	4.3010	3.7716	1,435.6
2007	4.2600	3.7557	1,510.6
2008	4.2190	3.7242	1,527.5
2009 ⁽²⁾	3.9800 (July 1) 3.9300 (January 1)	3.5392 (July 1) 3.5000 (January 1)	1,488.7
2010	3.9296	3.4997	1,485.7 (Current Estimate)
2011	3.9280	3.4985	1,499.3 (Adopted Budget)

⁽¹⁾ Includes PICA Tax.

⁽²⁾ There were two rate decreases during Fiscal Year 2009.

In the Seventeenth Five-Year Plan, the Mayor approved further reductions in this tax rate for each of the Fiscal Years 2009-2013. The Seventeenth Five-Year Plan approved reducing the wage tax from its current level of 4.2190% for residents and 3.7242% for non-residents to 3.60% for residents and 3.25% for non-residents by Fiscal Year 2013. These reduced rates include rate reductions funded through tax reduction funding provided by the Commonwealth from gaming proceeds. In Fiscal Year 2009 there were two rate reductions: one that took effect July 1, 2008 and the other that took effect January 1, 2009. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015; however, the proposed Nineteenth Five-Year Plan suspends City-funded rate reductions until Fiscal Year 2014.

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

The Business Privilege Tax is a composite tax. Tax rates vary according to business classification (regulated, non-regulated, persons registered under the Pennsylvania Securities Act of 1972, manufacturing, wholesale, or retail) and method of tax computation employed. The various methods of tax computation are as follows: effective Fiscal Year 1989, all regulated industries, banks, trust companies, insurance companies, and public utilities, among others, were taxed at an annual rate of 3.25

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

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

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

In Fiscal Year 1996, the City began a program of reducing the gross receipts portion of the Business Privilege Tax from its previous level of 3.25 mills. The tax rates for tax years 2001-2011 are set forth below.

<u>Tax Year</u>	<u>Business Privilege Tax Rates</u>
2001	2.525 mills
2002	2.400 mills
2003	2.300 mills
2004	2.100 mills
2005	1.900 mills
2006	1.665 mills
2007	1.540 mills
2008	1.415 mills
2009	1.415 mills
2010	1.415 mills
2011	1.415 mills

In the Seventeenth Five-Year Plan, the Mayor approved further reductions in the gross receipts portion of the Business Privilege Tax for each of the Fiscal Years 2009-2013. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015; however, the proposed Nineteenth Five-Year Plan suspends future City rate reductions until Fiscal Year 2014.

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

Real Property Taxes. A real estate tax on all taxable real property is levied on the assessed value of residential and commercial property located within the City’s boundaries. From Fiscal Year 2003 through Fiscal Year 2007 the City’s portion of the rate was 34.74 mills and the School District’s portion was 47.90 mills. In Fiscal Year 2008, City Council shifted 1.69 mills of City tax to the School District. In Fiscal Year 2008, the City’s portion of the rate became 33.05 mills and the School District’s portion became 49.59 mills. In Fiscal Year 2011, the Real Estate Tax rate was increased 9.9 percent with the City’s portion of the rate increasing to 41.23 mills and the School District’s portion remaining the same at 49.59 mills.

Sales and Use Tax. In connection with the adoption of the Fiscal Year 1992 Budget, the City adopted a 1% sales and use tax (the “City Sales Tax”) for City general revenue purposes. The Commonwealth authorized the levy of this tax under the Act. Vendors are required to pay this sales tax to

the Commonwealth Department of Revenue together with the similar Commonwealth sales and use tax. The State Treasurer deposits the collections of this tax in a special fund and disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City by the Commonwealth Department of Revenue. The Fiscal Year 2010 budget assumed an increase to 2 percent from the then current 1 percent rate. The Pennsylvania General Assembly enacted legislation authorizing this increase effective October 8, 2009. The Eighteenth Five-Year Plan assumes this temporary increase will sunset on June 30, 2014. The table below sets forth the City Sales Tax collected in Fiscal Years 2001 through 2009, the estimated collections for Fiscal Year 2010 and the adopted budget for Fiscal Year 2011.

<u>Fiscal Year</u>	<u>City Sales Tax Collections</u>
2001	\$111.3 million
2002	108.1 million
2003	108.0 million
2004	108.0 million
2005	119.9 million
2006	127.8 million
2007	132.6 million
2008	137.3 million
2009	128.0 million
2010 (Current Estimate)	205.3 million
2011 (Adopted Budget)	241.9 million

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

Other Locally Generated Non-Tax Revenues. These revenues include license fees and permit sales, traffic fines and parking meter receipts, court related fees, stadium revenues, interest earnings and other miscellaneous charges and revenues of the City.

Revenue from Other Governments. The City's Fiscal Year 2010 General Fund current estimate projects that approximately 30.8% of General Fund revenues will be received from other governmental jurisdictions, including: (1) \$610.1 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) \$192.2 million from the Federal government; and (3) \$74.5 million from other governments, in which revenues are primarily rental and payments from the Philadelphia Gas Works and parking fines and fees from the Philadelphia Parking Authority. In addition, the projected net collections of the PICA Tax of \$288.2 million are included in "Revenue from Other Governments."

The City's Fiscal Year 2011 General Fund adopted budget projects that approximately 28.5% of General Fund revenues will be received from other governmental jurisdictions, including: (1) \$575.0 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) \$166.5 million from the Federal government; and (3) \$50.2 million from other governments, in which revenues are primarily rental and payments from the Philadelphia Gas Works and parking fines and fees from the Philadelphia Parking Authority. In addition, the projected net collections of the PICA Tax of \$299.5 million are included in "Revenue from Other Governments."

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

Revenues from City-Owned Systems

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

Effective June 1991, the revenues of the Water Department were required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (1) all Net Reserve Earnings, as defined below, or (2) \$4,994,000. Net Reserve Earnings means the amount of interest earnings during the fiscal year on amounts in the Debt Reserve Account and Subordinated Bond Fund, as defined in the Water Ordinance. Commencing in Fiscal Year 1991, the \$4,994,000 amount was reduced to \$4,138,000 by administrative agreement that remained in effect through Fiscal Year 2003. No such transfer was made in Fiscal Year 1992; however, the transfer was made in each subsequent year through Fiscal Year 2003. For Fiscal Year 2004, the transfer was to have increased to \$4,994,000 but no payment was made. For Fiscal Year 2005, the transferred amount was \$4,401,000; for Fiscal Years 2006 through 2008, the transferred amount was \$4,994,000. In Fiscal Year 2009, the transferred amount was \$4,185,463. In Fiscal Year 2010, the budgeted amount is \$4,994,000 and the current estimate is \$2,025,000. In Fiscal Year 2011, the budgeted amount is \$3,004,000.

The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. In previous years, PGW has also made an annual payment of \$18,000,000 to the City's General Fund. For Fiscal Year 2005 the City agreed to forgo the \$18,000,000 payment, and for Fiscal Years 2006, 2007, 2008 and 2009, the City budgeted the receipt of the \$18,000,000 payment and the grant back of such amount to PGW. The City's Eighteenth Five-Year Plan assumed that the \$18,000,000 payment will be made in each of Fiscal Years 2010 through 2014 and that the City will grant back such payment to PGW in each such Fiscal Year, and the City's proposed Nineteenth Five-Year Plan contemplates the same for each of the Fiscal Years 2011 through 2015.

Philadelphia Parking Authority

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

PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease expiring in 2030 (the "Lease Agreement"). The Lease Agreement provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The City received transfers of rental payments in Fiscal Years 2003 through 2009 that totaled \$11,629,311, \$14,539,053, \$27,239,000, \$30,186,642, \$33,184,918, \$33,570,037, and \$31,239,909 respectively. The Fiscal Year 2010 current estimate is projected to be \$26,000,000 and the Fiscal Year 2011 budgeted transfer amount is \$28,000,000.

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

Assessment and Collection of Real and Personal Property Taxes

In December 2009, the Board of the Revision of Taxes (the "BRT") ratified a Memorandum of Understanding (the "MOU") separating the assessment and appeals functions for property valuation and transferring day-to-day authority for oversight of assessments to the Finance Department. The BRT did not extend the MOU which expired in April 2010. On December 17, 2009, City Council passed legislation that would disband the BRT and replace it with separate offices for assessments and appeals, subject to the approval of City voters. In the May 10, 2010 primary election voters approved the separation of the assessment and appeals functions. On June 16, 2010 a new Chief Assessment Officer, Rich McKeithen, was appointed by the Mayor and approved by City Council on June 17, 2010.

The BRT will cease to exist at the end of September 2010 and the changes described in this paragraph will take effect. Beginning October 1, 2010, the newly created Office of Property Assessment will take over the annual assessment of all real estate located within the City. The new Board of Appeals will be comprised of seven members appointed by the Mayor after recommendations by an independent panel. City Council will have the right to approve or disprove the Mayor's selections. As with the existing appeals mechanism, the Board of Appeals may increase or decrease the property valuations contained in the returns of the assessors in order that such valuations conform with law. After all changes in property assessments, and after all assessment appeals, assessments will be certified and the results provided to the Department of Revenue.

Real estate taxes, if paid by February 28, are discounted by 1%. If the tax is paid during the month of March, the gross amount of tax is due. If the tax is not paid by the last day of March, tax additions of 1.5% per month are added to the tax for each month that the tax remains unpaid through the end of the calendar year. Beginning in January of the succeeding year, the 1.5% tax additions that accumulated during the last ten months of the preceding years are capitalized and the tax is registered delinquent. Interest is then computed on the new tax base at a rate of 0.5% per month until the real estate tax is fully paid. Commencing in February of the second year, an additional 1% per month penalty is assessed for a maximum of seven months. See the Fiscal Year 2009 Comprehensive Annual Financial Report for assessed and market values of taxable realty in the City and for levies and rates of collections.

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

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Table 8
City of Philadelphia
Summary of
Principal Operating Funds (Debt Related)
Revenues by Major Source
Fiscal Years 2001-2011 (Legal Basis)
(Amounts in Millions of USD)

Fiscal Year	Real Property Taxes ⁽¹⁾	Wage Earnings & Net Profits Taxes ⁽¹⁾	Business Privilege Tax ⁽¹⁾	Sales and Use Tax ⁽¹⁾	Other Taxes ⁽²⁾	Total Taxes	Water & Wastewater Charges	Airport Charges	Other Locally Generated Charges	Total Local Revenue	Revenue from Other Govts	Revenue from Other City Funds	Total Revenues
2001	363.4	1,059.0 ⁽³⁾	314.0 ⁽³⁾	111.3	130.0 ⁽³⁾	1,977.7	285.8	175.7	251.3	2,690.5	781.7	90.5	3,562.7
2002	376.8	1,019.3	295.8	108.1	148.6	1,945.4	302.8	181.7	257.9	2,687.8	722.5	80.8	3,491.1
2003	361.1	1,025.1	286.1	108.0	156.3	1,936.6	329.6	219.4	327.4	2,813.0	909.7	62.8	3,785.5
2004	377.7	1,062.6	309.2	108.0	202.2	2,059.7	383.1	235.0	207.4	2,885.2	834.2	92.1	3,811.5
2005	392.7	1,087.3	379.5	119.9	250.9	2,230.3	419.7	246.3	200.8	3,097.1	1,082.4	71.6	4,251.1
2006	395.8	1,125.8	415.5	127.8	304.1	2,369.0	460.4	269.4	236.2	3,335.0	953.1	69.9	4,358.0
2007	397.5	1,182.7	436.4	132.6	286.7	2,435.9	486.9	266.0	248.3	3,437.1	1,063.3	77.0	4,577.4
2008	402.8	1,197.3	398.8	137.3	260.3	2,396.5	555.0	275.3	267.5	3,494.3	1,066.2	153.1 ⁽⁴⁾	4,713.6
2009	400.1	1,129.2	386.0	128.2	209.3	2,252.8	484.5	291.3	258.3	3,286.9	1,025.4	212.7 ⁽⁵⁾	4,525.0
2010	398.9	1,136.3	358.2	205.3 ⁽⁶⁾	236.4	2,335.1	513.0	293.7	249.3	3,391.1	1,203.2	115.3 ⁽⁷⁾	4,709.6
(Current Estimate) 2011 (Adopted Budget)	497.5 ⁽⁸⁾	1,137.4	369.2	241.9	225.9	2,471.9	542.9	363.2	268.8	3,646.8	1,152.3	143.0	4,942.1

⁽¹⁾ See Table 7 in the Fiscal Year 2009 Comprehensive Annual Financial Report for Tax Rates.

⁽²⁾ Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.

⁽³⁾ Accounting accrual changes required by GASB #33 resulted in additional one-time tax revenue accruals in Fiscal Year 2001. (Wage Tax, \$50.4 million; Business Privilege, \$5.2 million; Other Taxes, \$4.3 million).

⁽⁴⁾ In Fiscal Year 2008, there was an increase of \$73 million in payment from Water Fund to Water Residual Fund.

⁽⁵⁾ In Fiscal Year 2009, there was an \$86 million payment from the Wage Tax Reduction Fund.

⁽⁶⁾ Reflects one percent increase effective October 8, 2009.

⁽⁷⁾ In Fiscal Year 2010, the Wage Tax Reduction payment is shown in the Revenue from Other Governments column.

⁽⁸⁾ Real Estate Property Taxes increase 9.9%.

FIGURES MAY NOT ADD UP DUE TO ROUNDING.

Table 9
City of Philadelphia General Fund
Tax Revenues⁽¹⁾
Fiscal Years 2004-2011
(Amounts in Millions of USD)

	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2006</u>	<u>Actual</u> <u>2007</u>	<u>Actual</u> <u>2008</u>	<u>Actual</u> <u>2009</u>	<u>Current</u> <u>Estimate</u> <u>2010</u>	<u>Adopted</u> <u>Budget</u> <u>2011</u>
REAL PROPERTY TAXES								
Current	332.6	353.2	354.1	367.2	366.5	365.6	356.9	457.5
Prior	45.1	39.5	41.7	30.3	36.3	34.4	42.0	40.0
Total	<u>377.7</u>	<u>392.7</u>	<u>395.8</u>	<u>397.5</u>	<u>402.8</u>	<u>400.0</u>	<u>398.9</u>	<u>497.5⁽⁴⁾</u>
WAGE AND EARNINGS TAX ⁽²⁾								
Current	1,034.5	1,066.0	1,104.0	1,162.4	1,176.5	1,105.9	1,098.6	1,112.8
Delinquent	15.1	7.6	7.2	5.1	8.3	11.1	24.0	12.0
Total	<u>1,049.6</u>	<u>1,073.6</u>	<u>1,111.2</u>	<u>1,167.5</u>	<u>1,184.8</u>	<u>1,117.0</u>	<u>1,122.6</u>	<u>1,124.8</u>
BUSINESS TAXES								
Business Privilege								
Current	269.9	326.7	390.5	401.9	376.1	367.1	331.2	350.2
Delinquent	39.2	52.8	25.0	34.5	22.7	18.9	27.0	19.0
Sub-Total Business	<u>309.1</u>	<u>379.5</u>	<u>415.5</u>	<u>436.4</u>	<u>398.8</u>	<u>386.0</u>	<u>358.2</u>	<u>369.2</u>
Privilege								
Net Profits Tax								
Current	11.3	12.0	11.8	10.9	9.1	9.5	7.7	8.7
Delinquent	1.7	1.7	2.8	4.3	3.4	2.7	6.0	4.0
Sub-Total Net Profits	<u>13.0</u>	<u>13.7</u>	<u>14.6</u>	<u>15.3</u>	<u>12.5</u>	<u>12.2</u>	<u>13.7</u>	<u>12.7</u>
Tax								
Total Business Taxes	<u>322.1</u>	<u>393.2</u>	<u>430.1</u>	<u>451.6</u>	<u>411.3</u>	<u>398.2</u>	<u>371.9</u>	<u>381.8</u>
OTHER TAXES								
Sales and Use Tax	108.0	119.9	127.8	132.6	137.3	128.3	205.3 ⁽³⁾	241.9
Amusement Tax	18.3	13.5	17.0	16.4	18.0	21.4	20.9	21.1
Real Property	141.3	192.3	236.4	217.3	184.0	115.1	114.7	125.2
Transfer Tax								
Parking Taxes	42.5	45.0	48.4	50.3	55.5	70.4	70.7	72.5
Other Taxes	0.1	0.1	2.3	2.6	2.8	2.4	30.1 ⁽²⁾	7.1
Sub-Total Other	<u>310.2</u>	<u>370.8</u>	<u>431.9</u>	<u>419.2</u>	<u>397.6</u>	<u>337.6</u>	<u>441.7</u>	<u>467.8</u>
Taxes								
TOTAL TAXES	<u>2,059.6</u>	<u>2,230.3</u>	<u>2,369.0</u>	<u>2,435.9</u>	<u>2,396.5</u>	<u>2,252.8</u>	<u>2,335.1</u>	<u>2,471.9</u>

(1) See Table 7 in the Fiscal Year 2009 Comprehensive Annual Financial Report for Tax Rates.

(2) Beginning in Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Tax from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and the PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments.

(3) Effective October 8, 2009, there was a one percent increase to the City Sales tax.

(4) Real Estate Property Taxes increase 9.9%.

(5) This amount includes revenues from Tax Amnesty.

FIGURES MAY NOT ADD UP DUE TO ROUNDING

Table 10
Ten Largest Certified Market and Assessment Values
of Tax-Abated Properties
Certified Values for 2010

	Location	2010 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment
1	1701 John F Kennedy Blvd.	\$181,500,000	\$58,080,000	\$2,897,184	\$ 55,182,816
2	2929L Arch Street	117,000,000	37,440,000	0	37,440,000
3	1500 Spring Garden Street	50,000,000	16,000,000	2,944,000	13,056,000
4	2201 Park Towne Place	48,000,000	15,360,000	13,452,400	1,907,600
5	819 Chestnut Street	45,200,000	14,464,000	5,440,000	9,024,000
6	4300 S 26th Street	41,486,500	13,275,680	0	13,275,680
7	3711 Market Street	40,994,900	13,118,368	0	13,118,368
8	2760 Red Lion Rd.	39,820,000	12,742,400	480,006	12,262,394
9	3401 Chestnut Street	35,261,800	11,283,776	718,000	10,565,776
10	1327-29 Chestnut Street	35,000,000	11,200,000	10,880,000	320,000

Source: City of Philadelphia, Board of Revision of Taxes

EXPENDITURES OF THE CITY

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

Personal Services (Personnel)

As of June 30, 2009, the City employed 27,482 full-time employees with the salaries of 22,912 employees paid from the General Fund. Additional employment is supported by other funds, including the Water Fund and the Aviation Fund.

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

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

Table 11
City of Philadelphia
Filled, Full Time Positions — All Operating Funds
at June 30 (Actual)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010⁽¹⁾</u>	<u>2011⁽¹⁾</u>
General Fund								
Police	7,668	7,368	7,287	7,424	7,367	7,443	7,478	7,480
Streets	1,946	1,788	1,858	1,814	1,839	1,724	1,797	1,826
Fire	2,337	2,248	2,270	2,399	2,326	2,252	2,328	2,327
Health	745	667	662	664	665	662	739	742
Courts	2,046	2,004	1,936	1,928	1,970	1,889	1,965	1,776
Prisons	2,033	2,152	2,225	2,176	2,131	2,294	2,360	2,360
Human Services	1,815	1,743	1,703	1,721	1,784	1,743	1,858	1,828
All Other	5,170	4,995	4,878	4,941	5,029	4,905	4,982	5,010
Total General Fund	<u>23,760</u>	<u>22,965</u>	<u>22,819</u>	<u>23,067</u>	<u>23,111</u>	<u>22,912</u>	<u>23,507</u>	<u>23,339</u>
Other Funds	<u>4,659</u>	<u>4,649</u>	<u>4,616</u>	<u>4,598</u>	<u>4,642</u>	<u>4,570</u>	<u>5,044</u>	<u>5,359</u>
TOTAL	28,419	27,614	27,435	27,665	27,753	27,482	28,551	28,698

⁽¹⁾ Adopted Budget includes vacant positions.

Labor Agreements

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

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

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

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

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

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

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

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

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

Contracts for the four major bargaining units representing City employees expired on June 30, 2009.

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

Negotiations are currently underway with District Councils 33 and 47, and the contract with the IAFF Local 22 is in arbitration.

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The following table presents employee wage increases for the Fiscal Years 1998 through 2011.

Table 12
City of Philadelphia
Employee Wage Increases
Fiscal Years 1998-2011

<u>Fiscal Year</u>	<u>District Council No. 33</u>	<u>District Council No. 47</u>	<u>Fraternal Order of Police</u>	<u>International Association of Fire Fighters</u>
1998	3.0% ⁽¹⁾	3.0% ⁽¹⁾	4.0% ⁽²⁾	4.0% ⁽³⁾
1999	3.0 ⁽¹⁾	3.0 ⁽¹⁾	3.0 ⁽²⁾	3.0 ⁽³⁾
2000	4.0 ⁽⁴⁾	4.0 ⁽⁴⁾	4.0 ⁽⁵⁾	4.0 ⁽⁶⁾
2001	No increase ⁽⁷⁾	No increase ⁽⁷⁾	3.0	3.0
2002	3.0 ⁽⁸⁾	3.0 ⁽⁸⁾	4.0	4.0
2003	3.0 ⁽⁹⁾	3.0 ⁽⁹⁾	3.0	3.0
2004	3.0	3.0	3.5	3.5
2005	No increase ⁽¹⁰⁾	No increase ⁽¹⁰⁾	3.0	3.0
2006	2.0	2.0	3.0	3.0
2007	3.0 ⁽¹¹⁾	3.0 ⁽¹¹⁾	3.0	3.0
2008	4.0 ⁽¹²⁾	4.0 ⁽¹²⁾	4.0	4.0
2009	No increase ⁽¹³⁾	No increase ⁽¹³⁾	4.0 ⁽¹⁴⁾	4.0 ⁽¹⁴⁾
2010	⁽¹⁵⁾	⁽¹⁵⁾	0.0 ⁽¹⁶⁾	⁽¹⁷⁾
2011	⁽¹⁵⁾	⁽¹⁵⁾	3.0 ⁽¹⁶⁾	⁽¹⁷⁾

- ⁽¹⁾ Third year of a four year contract: 3% effective December 15, 1998.
- ⁽²⁾ First year of a two year contract: 3% effective September 15, 1998.
- ⁽³⁾ Third year of a four year contract: 3% effective September 15, 1998.
- ⁽⁴⁾ Fourth year of a four year contract: 4% effective March 15, 2000.
- ⁽⁵⁾ Second year of a two year contract: 4% effective September 15, 1999.
- ⁽⁶⁾ Fourth year of a four year contract: 4% effective September 15, 1999.
- ⁽⁷⁾ First year of a four year contract: cash bonus of \$1,500 paid in August 2000.
- ⁽⁸⁾ Second year of a four year contract: 3% effective December 15, 2001.
- ⁽⁹⁾ Third year of a four year contract: 3% effective December 15, 2002.
- ⁽¹⁰⁾ First year of a four year contract: cash bonus of \$750 paid in October 2004 to District Council 47 members and in December 2004 to District Council 33 members.
- ⁽¹¹⁾ Third year of a four year contract: 3% effective July 1, 2006.
- ⁽¹²⁾ Fourth year of a four year contract: 4% effective July 1, 2007.
- ⁽¹³⁾ Cash bonus of \$1,100 paid 15 days after ratification.
- ⁽¹⁴⁾ One year contract: 2% effective July 1, 2008 and 2% effective January 1, 2009.
- ⁽¹⁵⁾ Contract expired on June 30, 2009, negotiations are currently underway.
- ⁽¹⁶⁾ Five year contract: 0% effective July 1, 2009, 3% effective July 1, 2010, 3% effective July 1, 2011, and re-opens on wages in Fiscal Years 2013 and 2014.
- ⁽¹⁷⁾ Existing contract expired on June 30, 2009, arbitration proceedings are currently underway.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 2005 through 2011 are shown in the following table.

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Table 13
City of Philadelphia
General Fund Employee Benefit Expenditures
Fiscal Years 2005-2011
(Amounts in Millions of USD)

	<u>Actual 2005</u>	<u>Actual 2006</u>	<u>Actual 2007</u>	<u>Actual 2008</u>	<u>Actual 2009</u>	<u>Current Estimate 2010</u>	<u>Adopted Budget 2011</u>
Pension Contribution ⁽¹⁾	315.5	346.5	436.8	430.8	459.0	350.1	480.0
Health/Medical/Dental	285.9	291.8	331.5	421.0	377.0	381.8	370.0
Social Security	59.9	60.8	64.1	69.7	68.8	69.2	70.2
Other	<u>43.4</u>	<u>61.1</u>	<u>57.9</u>	<u>61.5</u>	<u>68.4</u>	<u>47.1</u>	<u>47.1</u>
Total	<u>704.7</u>	<u>760.2</u>	<u>890.3</u>	<u>983.0</u>	<u>973.2</u>	<u>848.2</u>	<u>964.9</u>

⁽¹⁾ The Pension Contribution amount includes debt service on the Pension Obligation Bonds, Series 1999.

Municipal Pension Fund (Related to All Funds)

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

- A. Accrued actuarially determined normal costs.
- B. Amortization of the unfunded actuarial accrued liability (“UAAL”) determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year’s aggregate payroll.
- C. Amortization in level percent of pay of the changes in the July 1, 1985 liability due to: nonactive member’s benefit modifications (10 years); experience gains and losses (15 years); changes in actuarial assumptions (20 years); and active members’ benefit modifications (20 years).

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

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

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

Based on the City’s most recent actuarial report dated as of July 1, 2009, the unfunded accrued liability was \$4.933 billion which equals a funding ratio of 45%.

Non-uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, non-uniformed employees may receive up to 80% of their average final compensation depending upon their years of credited service. Uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service. City employees participate in one of two Municipal Pensions Plans, Plan 67 or Plan 87, depending, primarily, on such employee's date of hire. The retirement age differs for Plan 67 (age 55) and Plan 87 (age 60) for non-uniformed employees and also for Plan 67 (age 45) and Plan 87 (age 50) for uniformed employees.

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

The Eighteenth Five-Year Plan assumed several changes to the pension system. The City changed the amortization period from 20 to 30 years and lowered the assumed rate of interest from 8.75 percent to 8.25 percent. Additionally, the Eighteenth Five-Year Plan assumes a partial deferral of the pension payment in Fiscal Year 2010 (\$150 million) and Fiscal Year 2011 (\$90 million) to be paid back by Fiscal Year 2014. The change in amortization period and the partial deferral were approved by the Pennsylvania General Assembly.

A comprehensive statement of operations of the City Municipal Pension Fund for Fiscal Years 2000 through 2009 is contained in the Fiscal Year 2009 Comprehensive Annual Financial Report.

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Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 2004 through 2011.

TABLE 14
CITY OF PHILADELPHIA
PURCHASE OF SERVICE IN THE GENERAL FUND
FISCAL YEARS 2004-2011
(AMOUNTS IN MILLIONS OF USD)

	<u>Actual</u>						<u>Current</u>	<u>Adopted</u>	
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Estimate</u>	<u>Budget</u>	
	<u>2010</u>								<u>2011</u>
Human Services ⁽¹⁾	493.7	511.8	467.9	495.3	515.3	499.0	465.5	478.4	
Public Health	69.1	60.7	61.1	65.5	65.1	67.9	68.6	69.3	
Public Property ⁽²⁾	132.4	133.3	137.6	156.3	139.5	142.6	136.5	136.1	
Streets ⁽³⁾	53.9	54.6	54.8	58.3	58.4	51.0	50.4	41.4	
Sinking Fund-Lease Debt ⁽⁴⁾	70.8	70.7	77.0	84.3	85.1	86.1	93.7	89.6	
Legal Services ⁽⁵⁾	33.4	33.5	33.6	35.4	37.3	37.3	35.9	35.9	
First Judicial District	23.0	28.3	24.4	24.8	25.6	23.6	23.0	20.9	
Licenses & Inspections ⁽⁶⁾	6.0	3.1	11.5	11.4	11.9	9.6	8.4	8.0	
Emergency ⁽⁷⁾	12.0	22.1	28.6	31.3	33.9	32.3	31.7	31.7	
Prisons	80.8	84.9	82.8	87.5	93.6	110.7	110.2	108.0	
All Other ⁽⁸⁾	<u>75.2</u>	<u>87.1</u>	<u>86.4</u>	<u>101.5</u>	<u>123.0</u>	<u>114.1</u>	<u>109.3</u>	<u>134.5</u>	
Total	<u>1,050.3</u>	<u>1,090.1</u>	<u>1,065.7</u>	<u>1,151.6</u>	<u>1,188.7</u>	<u>1,174.2</u>	<u>1,133.2</u>	<u>1,153.8</u>	

- (1) Includes payments for care of dependent and delinquent children.
- (2) Includes payments for SEPTA, space rentals, utilities, and telecommunications. In Fiscal Year 2008, the telecommunications division was transferred to the Managing Director – Division of Technology (“DOT”). Services purchased for DOT appear in the table under the category “All Other.”
- (3) Includes solid waste disposal costs.
- (4) Includes, among other things, Justice Center, Neighborhood Transformation Initiative and Stadium lease debt.
- (5) Includes payments to the Defender Association to provide legal representation for indigents.
- (6) Includes payments for demolition in Fiscal Year 2006 through Fiscal Year 2010.
- (7) Includes homeless shelter and boarding home payments.
- (8) Includes payment for Convention Center Subsidy.

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City Payments to School District

In each fiscal year since Fiscal Year 1996, the City has made an annual grant of \$15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional annual \$20 million beginning in Fiscal Year 2002. In Fiscal Year 2008, the Mayor and City Council agreed to provide an additional \$2 million, bringing the total contribution to \$37 million. In Fiscal Year 2010, the City made a \$38.5 million contribution, and the Fiscal Year 2011 budget includes a \$38.6 million contribution.

City Loan to PGW

The City made a loan of \$45 million to PGW during Fiscal Year 2001 to assist PGW in meeting its cash flow requirements. This loan was scheduled to mature in Fiscal Year 2007; however, PGW did not make the \$45 million payment. PGW repaid \$2 million to the City on August 31, 2007. PGW remitted a payment for \$20.5 million before December 28, 2007; and PGW remitted a payment for the balance of \$22.5 million on August 29, 2008. In addition, in order to assist PGW, (i) the City agreed to forgo the \$18 million annual payment in Fiscal Year 2004, (ii) for Fiscal Years 2005, 2006, 2007, 2008, 2009 and 2010 the City made a grant to PGW equal to the annual payment received from PGW in such fiscal years, and (iii) the City's proposed Nineteenth Five-Year Plan contemplates that in each of the Fiscal Years 2011 through 2015, the City will make a grant to PGW equal to the annual payment received from PGW in such Fiscal Years.

City Payments to SEPTA

The City's Fiscal Year 2008 operating subsidy payment to SEPTA was \$61.3 million. The City's Fiscal Year 2009 operating subsidy payment to SEPTA was \$62.9 million. The Fiscal Year 2010 budget projects operating subsidy payments to SEPTA of \$64.2 million. The Fiscal Year 2011 budget projects operating subsidy payments to SEPTA of \$64.9 million. The Eighteenth Five-Year Plan provided that the City's contribution to SEPTA will increase to \$70.9 million by Fiscal Year 2014. The proposed Nineteenth Five-Year Plan provides that the City's contribution to SEPTA would increase to \$72.9 million by Fiscal Year 2015.

Fiscal Year 2011 Payment to City

PGW has agreed to make a payment of \$16.3 million to the City in the City's Fiscal Year 2011. The City and PGW have agreed that such payment will be made prior to June 30, 2011: (1) from interest and profits on the Sinking Fund Reserve for the bonds (the "PGW Bonds") issued under and pursuant to the First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Revenue Bond Act") in excess of the Sinking Fund Reserve Requirement, to which the City is entitled to pursuant to the Revenue Bond Act, and (2) from the sale of surplus City-owned real property currently occupied by PGW which will become available due to the consolidation of certain PGW operations. The terms of any real estate sale must be approved by the City Administration, the Gas Commission, and City Council. PGW has agreed to make the balance of the payment (net of Sinking Fund Reserve earnings and profits) from its available funds if the property sale is not completed prior to June 15, 2011 or if the property sale proceeds are not sufficient to cover the full payment. The City has the right to obtain such payment from PGW in any lawful manner, including set-off against payments the City would have otherwise made to PGW. The obligation of PGW to make the payment to the City is subject and subordinate to payment of Operating Expenses and debt service of the PGW Bonds.

DEBT OF THE CITY

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

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

As of June 30, 2009, the Constitutional debt limitation for tax-supported general obligation debt was approximately \$1,469,376,000 (based upon a formula of 13.5% of the assessed value of taxable real estate within the City on a 10 year rolling average). As of June 30, 2009, the City’s total amount of authorized general obligation debt was \$1,710,551,000 which includes approximately \$358,305,000 of self-supporting debt, which does not count against the Constitutional debt limit. As of June 30, 2009, \$1,352,246,000 of general obligation debt subject to the constitutional debt limit was authorized, and of this authorized amount, \$1,278,621,000 was issued and outstanding. As of June 30, 2009, a balance of \$73,625,000 remained authorized and unissued, and after legally authorized deductions for appropriations of approximately \$34,255,000 for Fiscal Year 2010 maturing serial bonds, there remained a balance of \$151,385,000 available for future authorization and issuance.

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

Short-Term Debt

The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each note issue was repaid when due prior to the end of the fiscal year of issuance. The City issued \$275 million of Tax and Revenue Anticipation Notes on November 5, 2009. These notes were repaid on June 30, 2010.

Long-Term Debt

Table 15 presents a synopsis of the bonded debt of the City and its component units at the close of Fiscal Year 2009. In addition, for tables setting forth a ten-year historical summary of tax-supported debt of the City and School District and the debt service requirements to maturity of the City’s outstanding bonded indebtedness as of June 30, 2009, see the Fiscal Year 2009 Comprehensive Annual Financial Report.

Of the total balance of City tax-supported general obligation bonds issued and outstanding at June 30, 2009, approximately 16% is scheduled to mature within 5 years and approximately 37% is scheduled to mature within 10 years.

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Table 15
City of Philadelphia
City-related Bond Indebtedness
June 30, 2009
(Amounts in Millions of USD)

	Governmental Fund Types				Enterprise Funds			All Funds Total
	General Fund	Municipal Authority Fund	PICA	Total	Water Fund	Aviation Fund	Total	
Bonded Debt Outstanding, July 1, 2008	1,147.0	185.9	572.1	1,905.0	1,669.8	1,302.8	2,972.6	4,877.6
<u>Increases:</u>								
Par Value of Bonds Issued:								
General Obligation	165.0	97.9	354.9	617.8	-	-	-	617.8
Revenue	-	-	-	-	140.0	45.7	185.7	185.7
<u>Total Bonds Sold</u>	165.0	97.9	354.9	617.8	140.0	45.7	185.7	803.5
<u>Decreases:</u>								
Matured Bonds:								
General Obligation	31.0	14.2	42.4	87.6	1.2	-	1.2	88.8
General Obligation Refunded	-	-	326.9	326.9	-	-	-	326.9
Revenue	-	-	-	-	90.0	36.3	126.3	126.3
Revenue Refunded	-	-	-	-	-	41.0	41.0	41.0
			-					
<u>Total Decrease</u>	31.0	14.2	369.3	414.5	91.2	77.3	168.5	583.0
Bonded Debt Outstanding, June 30, 2009	<u>1,281.0</u>	<u>269.6</u>	<u>557.7</u>	<u>2,108.3</u>	<u>1,718.6</u>	<u>1,271.2</u>	<u>2,989.8</u>	<u>5,098.1</u>

Source: Office of Director of Finance.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations. As of June 30, 2009, the principal amounts of the outstanding bonds of each of these authorities relating to the City's contract and lease obligations were as follows:

PMA	\$269.3 million
PAID ⁽¹⁾	\$1,973.1 million
PPA	\$16.4 million
Redevelopment Authority	\$259.3 million
Convention Center Authority ⁽²⁾	\$201.8 million

Source: Office of the Director of Finance

⁽¹⁾ This includes 100% of Pension Bonds, only 86% applicable to the General Fund.

⁽²⁾ These bonds were defeased in Fiscal Year 2010 by the Pennsylvania Economic Development Financing Authority.

The bonds of PPA included in the previous table are payable from project revenues, and by the City only if and to the extent that net revenues are inadequate for this purpose. The City paid \$2.3 million in Fiscal Year 2006, \$1.2 million in Fiscal Year 2007, \$2.0 million in Fiscal Year 2008 and \$1.2 million in Fiscal Year 2009 toward the repayment of these bonds. The budgeted amount in Fiscal Year 2010 is \$1,335,650. See "REVENUES OF THE CITY – Philadelphia Parking Authority."

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

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Swap Information

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

City Entity	City GO	City Lease - PAID	City Lease - PAID	City Lease - PAID
Related Bond Series	2009B ⁽¹⁾	2001 (Stadium)	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	\$313,505,000	\$298,485,000	\$217,275,000	\$72,400,000
Current Notional Amount	\$100,000,000	\$193,520,000	\$217,275,000	\$72,400,000
Termination Date	8/1/2031	10/1/2030	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap ⁽²⁾	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	67% 1-month LIBOR + 0.20%, plus fixed annuity	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	SIFMA	3.9713%	3.9713%
Dealer	Royal Bank of Canada	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Fair Value ⁽³⁾	(\$7,227,528)	(\$8,585,429)	(\$20,739,264)	(\$6,910,109)

Notes:

⁽¹⁾ On July 23, 2009, the City terminated a portion of the swap in the amount of \$213,505,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2009A fixed rate bonds and the Series 2009B variable rate bonds. The City made a termination payment of \$15,450,000.

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

⁽³⁾ Fair values are as of May 31, 2010 and are shown from the City's perspective and include accrued interest.

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

For more information related to certain swaps entered into in connection with revenue bonds issued for the Water and Wastewater Systems, PGW and the Airport, see the City's 2009 Comprehensive Annual Financial Report attached as Appendix A. In addition, PICA has entered into swaps which are detailed in the City's 2009 Comprehensive Annual Financial Report attached as Appendix A.

Recent and Upcoming Financings

The following is a list of financings that the City has entered into since the close of Fiscal Year 2009.

The City and the Water Department restructured \$83.6 million of its outstanding Water and Wastewater Revenue Refunding Bonds, Series 2005B on July 1, 2009. The City replaced the Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (“AGM”) insurance policy with a letter of credit from Bank of America, N.A.

The City executed a \$31 million, four-year tax-exempt lease to finance an upgrade to its municipal radio communications system for emergency and normal public safety purposes. This financing closed on July 7, 2009.

The City also had outstanding variable rate debt consisting of \$313.5 million of General Obligation Bonds, Series 2007B insured by AGM with Dexia as the liquidity provider. AGM’s financial difficulties negatively impacted these bonds and the City refunded the 2007B Bonds with the proceeds of the 2009A Bonds and the 2009B Bonds and terminated a portion of the swap related to the 2007B Bonds. The City closed this transaction on August 13, 2009.

The PGW 6th Series Revenue Bonds were insured by AGM and had liquidity provided by J.P. Morgan, Wachovia Bank, N.A., and Scotia Bank. The liquidity expired in January 2009. All of the 6th Series Revenue Bonds were owned by the banks. The City, together with PGW, refunded the 6th Series Revenue Bonds with the Eighth Series Bonds. The variable rate bonds (Eighth Series B, C, D & E) in the amount of \$255 million are secured by letters of credit from Bank of America, N.A., Wachovia Bank, N.A., Scotia Bank and J.P. Morgan. The remaining bonds were refunded as fixed rate bonds (Series A) and a portion of the swap related to the 6th Series Revenue Bonds was terminated. The City and PGW closed this transaction on August 20, 2009.

In September 2009, the City issued the Series A, Tax and Revenue Anticipation Note (“TRAN”) in the maximum principal amount of \$275 million to J.P. Morgan Securities, Inc (“JP Morgan”). The City drew \$270 million under the JP Morgan private placement. The City issued a publicly offered TRAN, Series B and repaid the principal of and accrued interest on the Series A TRAN with a portion of the proceeds of the TRAN, Series B, together with other available funds of the City. This transaction closed on November 5, 2009. These notes were repaid on June 30, 2010.

In December 2009, PAID in conjunction with the City terminated the portion of the swap related to the \$104,965,000 million constant maturity swap on PAID’s 2001 Stadium financing. The swap counterparty paid a termination payment of \$3,049,000 to the City/PAID.

The City’s 2003 Variable Rate Series, Water and Wastewater Revenue Refunding Bonds are insured by AGM with Dexia as the liquidity provider. The liquidity facility expired on April 1, 2010. The City refunded the variable rate bonds to fixed rate bonds and terminated the swap related to those bonds. The refunding and related swap termination closed April 15, 2010.

The City, together with the Water Department, is moving forward with issuing \$185 million of Water and Wastewater Revenue Bonds, which will support water and wastewater capital projects. There were two \$90 million forward starting swaps associated with this new money. On June 30, 2010, the City terminated the one swap with Merrill Lynch Capital Services, Inc. and funded the termination payment out of Fiscal Year 2010 funds. The current plan of finance is to issue fixed rate bonds. The other swap will be terminated at the time the bonds are issued. This transaction is expected to close in early August 2010.

The City, along with PGW, is working on issuing \$150 million of PGW revenue bonds. This transaction is expected to close in August 2010.

The City, in conjunction with the Airport, plans to issue new money Airport revenue bonds as well as refunding bonds (depending on market conditions). These transactions are expected to close in August/September 2010.

The City plans to issue General Obligation new money bonds for certain capital projects in late 2010 or early 2011.

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CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2011-2016 contemplates a total budget of \$7,960,188,000 of which \$2,133,504,000 is to be provided from Federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts budgeted each year from various sources of funds for capital projects. City Council adopted the Capital Improvement Program for Fiscal Years 2011-2016 on May 20, 2010.

Table 16
City of Philadelphia
Fiscal Years 2011-2016
Capital Improvement Program
(Amounts in Thousands of USD)

CITY FUNDS – TAX SUPPORTED	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2011-2016</u>
Carried-forward Loans	220,108	-	-	-	-	-	220,108
Operating Revenue	21,929	14,029	10,329	9,529	6,029	6,029	67,874
New Loans	102,581	100,323	105,781	82,951	82,105	81,814	555,555
Pre-financed Loans	1,202	1,000	1,000	1,000	1,000	1,000	6,202
PICA Pre-financed Loans	<u>32,602</u>	-	-	-	-	-	<u>32,602</u>
Tax-supported Subtotal	378,422	115,352	117,110	93,480	89,134	88,843	882,341
CITY FUNDS - SELF-SUSTAINING							
Carried-forward Loans	731,981	-	-	-	-	-	731,981
Operating	154,828	41,353	41,743	44,134	46,525	48,916	377,499
New Loans	<u>436,094</u>	<u>439,916</u>	<u>514,533</u>	<u>666,160</u>	<u>861,507</u>	<u>898,653</u>	<u>3,816,863</u>
Self-Sustaining Subtotal	1,322,903	481,269	556,276	710,294	908,032	947,569	4,926,343
REVOLVING FUNDS	18,000	-	-	-	-	-	18,000
OTHER THAN CITY FUNDS							
Carried-Forward Other Government	12,043	-	-	-	-	-	12,043
Other Governments Off Budget	832	894	919	977	956	964	5,542
Other Governments	8,345	-	-	-	-	-	8,345
Carried-Forward State	63,316	-	-	-	-	-	63,316
State Off Budget	107,718	118,773	121,872	121,053	122,166	119,540	711,122
State	16,912	6,959	4,332	5,188	5,377	5,777	44,545
Carried-Forward Private	17,826	-	-	-	-	-	17,826
Private	74,370	26,020	25,020	25,020	25,020	25,020	200,470
Carried-Forward Federal	236,511	-	-	-	-	-	236,511
Federal Off Budget	31,723	43,271	53,129	62,400	84,096	97,664	372,283
Federal	<u>164,447</u>	<u>65,994</u>	<u>59,138</u>	<u>63,816</u>	<u>55,828</u>	<u>52,278</u>	<u>461,501</u>
Other Than City Funds Subtotal	734,043	261,911	264,410	278,454	293,443	301,243	2,133,504
TOTAL	2,453,368	858,532	937,796	1,082,228	1,290,609	1,337,655	7,960,188

LITIGATION

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

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

The aggregate loss resulting from general and special litigation claims was \$30.2 million for Fiscal Year 2001, \$30.0 million for Fiscal Year 2002, \$24.1 million for Fiscal Year 2003, \$24.5 million for Fiscal Year 2004, \$27.5 million for Fiscal Year 2005, \$23.0 million for Fiscal Year 2006, \$26.6 million for Fiscal Year 2007, \$29.8 million for Fiscal Year 2008, \$34.5 million for Fiscal Year 2009, and \$24.74 million after the first three quarters of Fiscal Year 2010. Estimates of settlements and judgments from the General Fund are \$34.5 million, \$42 million, \$34.5 million, \$34.5 million, and \$34.5 million for Fiscal Years 2010 through 2014, respectively (based on the proposed Nineteenth Five-Year Plan). In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each Five-Year Plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses. For the first three quarters of Fiscal Year 2010, payments for claims arising from labor settlements in the General Fund were \$733,000 of which \$701,000 were paid from the Indemnities account, and \$32,000 from the Operating budgets of the affected departments. For Fiscal Year 2009, payments for claims arising from labor settlements in the General Fund were \$1.74 million of which \$1.7 million was paid from the Indemnities account, and \$4,000 from the Operating budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged \$28.3 million per year over the five years from Fiscal Year 2005 through Fiscal Year 2009.

In addition to routine litigation incidental to performance of the City’s governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the City’s General Fund. These proceedings involve: environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; a class action suit alleging that the City failed to

properly oversee management of funds in the deferred compensation plan of City employees; civil rights claims; and a pay dispute with former and current paramedics. The ultimate outcome and fiscal impact, if any, on the City's General Fund of the claims and proceedings described in this paragraph are not currently predictable.

Various claims in addition to the lawsuits described in the preceding paragraph have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The aggregate loss for Fiscal Year 2003 which resulted from these claims and lawsuits was \$3.9 million, \$2.9 million for Fiscal Year 2004, \$2.4 million for Fiscal Year 2005 \$4.2 million for Fiscal Year 2006, \$2.5 million in Fiscal Year 2007, \$4.6 million in Fiscal Year 2008, \$5.0 million in Fiscal Year 2009, and \$ 3.23 million in the first three quarters of Fiscal Year 2010. The Water Fund's budget for Fiscal Year 2010 contains an appropriation for Water Department claims in the amount of \$6.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is for only \$4.0 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

In addition, various claims have been asserted against the Aviation Division and in some cases lawsuits have been instituted. Many of these Aviation Division claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Aviation Division. The aggregate loss for Fiscal Year 2008 which resulted from these claims and lawsuits was \$1.3 million and \$430,000 for Fiscal Year 2009. The aggregate loss for the first three quarters of Fiscal Year 2010 was \$733,000. The Indemnities budget for Aviation Fund claims for Fiscal Year 2010 contains an appropriation in the amount of \$2.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is only \$700,000. The Aviation Division is the first source of payment for any of the claims against the Aviation Division.

ELECTED AND APPOINTED OFFICIALS

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

The City Controller's responsibilities derive from the Home Rule Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards ("GAGAS") established by the federal Government Accountability Office (formerly known as the General Accounting Office), and GAAS, Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants. As of June 1, 2010, the Office of the City Controller had 124 employees, including 77 auditors, 27 of whom were certified public accountants.

The City Controller post-audits and reports on the City's combined financial statements, federal assistance received by the City, the performance of City departments and the finances of the School District. The City Controller also conducts a pre-audit program of expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit by category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the Home Rule Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical

Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to the Pennsylvania Intergovernmental Cooperation Authority on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

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

The Managing Director 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, its inhabitants and for the marketing and promotion of the image of the City.

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

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

The following are brief biographies of Mayor Nutter, his chief of staff, his cabinet, as defined in the City Charter, the City Controller and the City Treasurer:

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

Clarence D. Armbrister, Chief of Staff, was appointed on January 7, 2008. Prior to his appointment, Mr. Armbrister was Executive Vice President and Chief Operating Officer of Temple University. Mr. Armbrister began his career at Temple in April 2003 when he was named Senior Vice President. He was elevated to the position of Executive Vice President and Chief Operating Officer in

January 2007. Prior to joining Temple, Mr. Armbrister was a Director in the UBS Financial Services Municipal Securities Group in Philadelphia and had served as Managing Director of the School District of Philadelphia, Treasurer of the City of Philadelphia, and was a partner in the law firm of Saul Ewing LLP. Mr. Armbrister holds a J.D. from the University of Michigan Law School and a B.A. degree in political science and economics from the University of Pennsylvania.

Richard Negrin, Deputy Mayor for Administration and Coordination and Managing Director, was appointed in July 2010. This Cabinet position has direct management responsibility over the City's key infrastructure departments and coordinates across all City government to provide oversight and support to ensure optimal performance. In December 2009, Mr. Negrin was appointed by Mayor Nutter to serve as Executive Director of the Board of Revision of Taxes to provide strong leadership and to revitalize, restructure and reform the embattled agency. From November 2006 through December 2009, Mr. Negrin served as Vice-Chair of the independent Philadelphia Board of Ethics which helped to change to culture of government by providing guidance, education and training on ethics rules to the entire City workforce as well as to promote greater transparency in government by overseeing financial disclosures by City officials and having oversight related to campaign finance limits and disclosures. Prior to joining the City, Mr. Negrin was Vice President, Associate General Counsel, and a member of the Executive Leadership Council of ARAMARK Corporation. Prior to joining ARAMARK, Mr. Negrin was a litigator with the law firm of Morgan Lewis and was a prosecutor in the Major Trials Unit of the Philadelphia District Attorney's Office. Mr. Negrin is a graduate of Rutgers University School of Law, where he was the recipient of the Richard L. Barbour, Jr. Memorial Award. He received his Bachelor's degree in political science from Wagner College where he received the Pre-Law Prize for academic excellence. During college, Mr. Negrin was a consensus football all-American and served as captain of the football team, helping to lead them to the small college National Championship in 1987. After college, Mr. Negrin played briefly in the National Football League, signing contracts with the Cleveland Browns in 1988 and the New York Jets in 1989.

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

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

Alan Greenberger, Acting Deputy Mayor for Planning and Economic Development and Director of Commerce, was appointed on June 30, 2009. Mr. Greenberger is also the Executive Director of the City Planning Commission where he chairs the Philadelphia Zoning Code Commission. A native of New York City, he moved to Philadelphia in 1974 to join Mitchell/Giurgola Architects. He became an associate of

Mitchell/Giurgola in 1980, moved to Australia to join Mitchell/Giurgola & Thorpe, architects for the Australian Parliament House, and rejoined Mitchell/Giurgola in Philadelphia as a partner in 1986. In 1990, he and several partners at M/G changed the name of the firm to MGA Partners, where he practiced through 2008. He has been the lead designer on numerous MGA projects including the Department of State National Foreign Affairs Training Center, the West Chester University School of Music and Performing Arts Center, America on Wheels Museum, Lehigh University Linderman Library Renovation, Mann Center for the Performing Arts Master Plan and Pavilions, and the Centennial District Master Plan.

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

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

Rebecca Rhynhart was appointed the City Treasurer of the City of Philadelphia in July 2008. Her responsibilities include oversight of all activities related to the issuance of debt by the City, managing the investment of approximately \$2.0 billion of operating and bond funds as well as managing the City's depository banking. Ms. Rhynhart previously served as the Deputy Finance Director for Debt Management from February 2008 to July 2008. Prior to joining the City, Ms. Rhynhart headed up the Tax-Exempt Group in Bear Stearns' Global Credit Department, assessing the creditworthiness of municipalities and not-for-profit organizations for derivative trading. From 2001 to 2005, she worked as a credit analyst for Fitch Ratings. Ms. Rhynhart received her Masters of Public Administration from Columbia University and her Bachelor of Arts from Middlebury College.

TAX MATTERS

Federal

In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Notes will not be includable in the gross income of the holders thereof for federal income tax purposes and will not be a specific preference item for purposes of computing the alternative minimum tax imposed on individuals and corporations. Interest on the Notes is not included in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations. In addition, interest on the Notes received or accrued in any taxable year by certain foreign corporations may be included in computing the "dividend equivalent amount" of such corporations subject to the branch profits tax imposed on such corporations under Section 884 of the Internal Revenue Code of 1986, as amended (the "Code"). Further, interest on the Notes may be subject to federal income taxation under Section 1375 of the Code for S corporations which have Subchapter C earnings and profits

at the close of the taxable year if greater than 25% of the Gross Revenues of such S corporations is passive investment income.

Ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers including, without limitation, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Notes. Co-Bond Counsel expresses no opinion as to any such consequences, and prospective purchasers of the Notes who may be subject to such collateral consequences should consult their tax advisors. Under the Tax Increase Prevention and Reconciliation Act of 2005, enacted on May 17, 2006, tax-exempt interest paid after December 31, 2005 is no longer exempt from the interest reporting requirements and must be reported to recipients of such interest on a Form-INT, or similar form, by the payors of such tax-exempt interest.

In rendering this opinion, Co-Bond Counsel has assumed compliance by the City with its covenants to comply with the provisions of the Code relating to actions to be taken by the City in respect of the Notes after the issuance thereof to the extent necessary to effect or maintain the federal exclusion from gross income of the interest on the Notes. These covenants relate to, among other things, the use of and investment of proceeds of the Notes and the rebate to the United States Treasury of specified arbitrage earnings, if any. Failure of the City to comply with such covenants could result in the interest on the Notes becoming subject to federal income tax from the date of issuance.

As set forth in its Notice 94-84, the Internal Revenue Service allows taxpayers to treat interest on the Notes either as qualified stated interest or as includible in the stated redemption price at maturity of the Notes. If interest is treated as includible in the stated redemption price at maturity, then the Notes will be subject to the application of the original issue discount rules. Owners should consult their tax advisors concerning this choice and, if applicable, the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's basis during the period such Notes are held.

Pennsylvania

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth as presently enacted and construed, the Notes are exempt from personal property taxes in the Commonwealth and the interest on the Notes is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. However, under the laws of the Commonwealth as presently enacted and construed, any profits, gains or income derived from the sale, exchange or other disposition of obligations of the City, such as the Notes, will be subject to Pennsylvania taxes within the Commonwealth. The Notes and the interest thereon may be subject to state or local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

Original Issue Premium

Notes purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity ("Premium Notes"), will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of notes, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser's basis in a Premium Note and the amount of tax exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

NO LITIGATION AFFECTING NOTES

Upon delivery of the Notes, the City Solicitor will furnish an opinion to the effect, among other things, that except as disclosed in this Official Statement, to the knowledge of the Law Department, after reasonable inquiry, there is no litigation or other legal proceeding pending or threatened, in writing, to restrain or enjoin the issuance or delivery of the Notes or challenging the validity of the proceedings of the City with respect to the authorization, issuance, sale and provision for payment of the Notes, or contesting the powers of the City with respect to any of the foregoing, or in any way contesting the validity or enforceability of the Notes.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. have assigned the Notes ratings of "MIG1" and "SP-1+", respectively.

Such credit ratings reflect only the view of such credit rating agency.

Any explanation of the significance of such credit ratings may be obtained from the applicable credit rating agency.

A security rating is not a recommendation to buy, sell or hold securities. There is no assurance that any such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such credit rating agency if, in its judgment, circumstances so warrant. The City has not undertaken any responsibility, after the issuance of the Notes, to assure the maintenance of the rating, to bring to the attention of the owners of the Notes any proposed change in or withdrawal of such credit ratings or to oppose any such proposed revision. Any such downward change in or withdrawal of such credit rating may have an adverse effect on the marketability or market price of the Notes.

CERTAIN LEGAL MATTERS

The authorization, issuance and sale of the Notes are subject to approval as to legality by Dilworth Paxson LLP, Philadelphia, Pennsylvania, and the Law Offices of Stephanie Saint-Cyr, Moorestown, New Jersey, Co-Bond Counsel. Certain legal matters will be passed upon for the City by the City Solicitor. Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, Duane Morris LLP and The Tucker Law Group, both of Philadelphia, Pennsylvania.

CERTAIN RELATIONSHIPS

Duane Morris LLP, Co-Underwriters Counsel, each, from time to time, represents the City in matters unrelated to this financing.

UNDERWRITING

The Notes are being purchased by the Underwriters identified on the cover page hereof. The Underwriters have agreed, subject to certain terms and conditions, to purchase the Notes from the City at an aggregate purchase price of \$288,043,075, which is equal to the principal amount of the Notes in the amount of \$285,000,000, plus original issue premium on the Notes of \$3,397,200, less an underwriters' discount of \$354,125. The purchase contract for the Notes provides that the Underwriters will purchase all the Notes, if any Notes are purchased.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including, Wells Fargo Bank, N.A.

FINANCIAL ADVISORS

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

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

ADDITIONAL INFORMATION

Current City Practices

It is the City’s practice to file its Comprehensive Annual Financial Report (“CAFR”), which contains the audited combined financial statements of the City, with the Municipal Securities Rulemaking Board (“MSRB”) as soon as practicable after delivery of such report. The CAFR for the City’s fiscal year ended June 30, 2009 was deposited with the MSRB on February 25, 2010. The CAFR is prepared by the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants’ audit guide, Audits of State and Local Government Units. Upon written request to the Office of the Director of Finance and payment of the costs of duplication and mailing, the City will make available copies of the CAFR for the Fiscal Year ended June 30, 2009. Such a request should be addressed to: Office of the Director of Finance, Municipal Services Building, Suite 1300, 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102. The CAFR is also available online at www.phila.gov/investor, the City’s website (“City Website” or “Website”). The City also expects to provide financial and other information from time to time to Moody’s Investors Service, Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and Fitch Ratings, in connection with the securities ratings assigned by those rating agencies to bonds or notes of the City.

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

The City Website contains information in addition to that set forth in the CAFR. The “Terms of Use” statement of the City Website, incorporated herein by this reference, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors.

Continuing Disclosure Undertaking

In order to assist the Underwriters in complying with the requirements of the Rule, the City will enter into a written continuing disclosure agreement with the Dissemination Agent for the benefit of the registered owners from time to time of the Notes, to be dated the date of original delivery and payment for the Notes (the “Disclosure Agreement”). The Disclosure Agreement will provide that the Dissemination Agent, as the dissemination agent of the City, will file in a timely manner, with the Municipal Securities Rulemaking Board (the “MSRB”) through the Electronic Municipal Market Access System maintained by the MSRB, notice of the occurrence of any of the following events with respect to the Notes, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (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 or events affecting the tax-exempt status of the Notes; (vii) modifications to rights of holders of the Notes; (viii) Note calls; (ix) defeasances of the Notes; (x) release, substitution, or sale of property securing repayment of the Notes; and (xi) rating changes. It should be noted that no debt service reserves have been established for the Notes, no liquidity facility or credit enhancement is being obtained for the Notes and the Notes are not subject to redemption prior to maturity.

The City and the Dissemination Agent may amend the Disclosure Agreement and waive any of the provisions thereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the City or the governmental operations conducted by the City, (ii) the Disclosure Agreement, as modified by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Notes, taking into account any amendments or interpretations of the Rule, and (iii) the amendment or waiver does not materially impair the interests of the registered owners of the Notes. Evidence of compliance with the foregoing conditions shall be satisfied by delivery to the Dissemination Agent of an opinion of counsel having recognized experience and skill in the areas of the issuance of municipal securities and federal securities law, to the effect that the amendment or waiver satisfies the conditions set forth in the preceding sentence. Notice of any amendment or waiver shall be filed by the Dissemination Agent with the MSRB and shall be sent to the registered owners of the Notes.

The Disclosure Agreement will recite that it is entered into for the benefit of the registered owners from time to time of the Notes. For the purposes of the Disclosure Agreement, for so long as the Notes are registered in the name of DTC or its nominee, “registered owner” shall mean and include the holder of a book-entry credit evidencing an interest in the Notes. Holders of book-entry credits evidencing an interest in the Notes may file their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under the Disclosure Agreement.

A default under the Disclosure Agreement shall not be deemed to be a default under the Notes, the Loan Authorization, the Trust Agreement or the Act, and the sole remedy to enforce the provisions of the Disclosure Agreement shall be the right of the Dissemination Agent or any registered owner, by mandamus, suit, action or proceeding at law or in equity, to compel the City or the Dissemination Agent to perform the provisions and covenants contained in the Disclosure Agreement.

The Dissemination Agent shall have the right to enforce the Disclosure Agreement by means of the remedies described in the preceding paragraph, but shall be under no obligation to do so unless (i) directed in writing by the registered owners of at least 25% of the outstanding principal amount of the Notes, and (ii) furnished with indemnity and security for expenses satisfactory to it.

The Disclosure Agreement will terminate (i) upon payment or provision for payment in full of the Notes, (ii) upon repeal or rescission of Section (b)(5) of the Rule, or (iii) upon a final determination that Section (b)(5) of the Rule is invalid and unenforceable. A copy of the Disclosure Agreement is on file at the Philadelphia, Pennsylvania corporate trust office of the Trustee.

Since the effective date of the Rule, the City has entered into written continuing disclosure agreements with respect to each issue of its bonds or notes covered by the Rule. The City has not failed to comply with the terms of any written continuing disclosure agreement entered into by the City in connection with its issuance of notes or bonds since the effective date of the Rule.

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In accordance with the Loan Authorization, this Official Statement has been duly executed and delivered by The City of Philadelphia.

THE CITY OF PHILADELPHIA

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

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APPENDIX A

**CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2009**

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City of Philadelphia

PENNSYLVANIA 1682



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2009

City of Philadelphia
PENNSYLVANIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009



Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Michael J. Kauffman
Accounting Director



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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 18, 2010

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

The Comprehensive Annual Financial Report of the City of Philadelphia for the fiscal year ended June 30, 2009 is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

The Philadelphia Home Rule Charter (Charter) requires an annual audit of all City accounts by the City Controller, an independently elected official. The Charter further requires that the City Controller appoint a Certified Public Accountant in charge of auditing. These requirements have been complied with and the audit done in accordance with Generally Accepted Governmental Auditing Standards (GAGAS).

Management has provided a narrative to accompany the basic financial statements. This narrative is known as Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 129 square miles along the Delaware River, serves a population in excess of 1.4 million and is the hub of a five county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in southeast Pennsylvania. The City is governed largely under the Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951 and became effective on the first Monday of January, 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania. The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council, ten (10) from districts and seven (7) from the City at large, elected every four years. Minority representation is assured by the requirement that no more than five (5) candidates may be elected for Council-at-large by any one party or political body. The Mayor is prohibited from serving more than two consecutive terms.

www.phila.gov

This report includes all the funds of the City as well as its component units. The Philadelphia Municipal Authority's and the Pennsylvania Intergovernmental Cooperation Authority's statements are blended with the City's statements. The Philadelphia Gas Works', the Redevelopment Authority of Philadelphia's, the Philadelphia Parking Authority's, the School District of Philadelphia's, the Community College of Philadelphia's, Community Behavioral Health, Inc.'s, the Pennsylvania Convention Center Authority's, the Delaware River Waterfront Corporation's, Penn's Landing Corporation's and the Philadelphia Authority for Industrial Development's statements are discretely presented. A component unit was considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for the entity or that the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the last half century. After 50 years of losing residents to the suburbs, the City has experienced new investment in many of its neighborhoods spurred by the relative affordability of housing and the City's extensive array of cultural amenities. Still, significant challenges remain. While fewer people live and work here than in previous decades, social needs continue to grow just as the cost of providing services are rising considerably.

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

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

State and local governments have and continue to face large budget shortfalls primarily as a result of depressed tax collections and pension fund market losses. The City of Philadelphia had, at the close of fiscal year 2009, a negative fund balance of \$137.2 million. This negative fund balance occurred despite the City having solved for a \$1.7 billion shortfall over FY2009-FY2014.

Over the course of fiscal year 2009, the City implemented significant expenditure reductions and efficiency savings, improved delinquent tax collections and suspended scheduled wage and business tax rate reductions. In addition, the City implemented workforce reductions through layoffs and by leaving positions vacant. Exempt employees were subject to five furlough days each year for two years and some executive staff took up to 10% paycuts. With the assistance of the Commonwealth of Pennsylvania, the City was granted the ability to increase the city-portion of its sales tax rate by 1% (from 1% to 2%) from FY2010-FY2014 as well as implement pension fund changes in order to achieve additional savings.

Despite these efforts, by the end of the current fiscal year 2010, the city is now projecting an almost \$50 million budget shortfall rather than a modest surplus. This shortfall is projected after having taken into consideration the negative effects of the economic downturn on City tax revenue.

While some economists believe that the recession has ended, or soon will, many anticipate a slow and long recovery. This is particularly relevant to state and local governments, whose tax revenues generally lag economic conditions.

The table below shows how Philadelphia's local economy has trended in the past five years, characterized by population declines, increases in total compensation and declining unemployment rates up until the impact of the recession in the last year.

Calendar Year	Population	Personal Income <i>(thousands of USD)</i>	Per Capita Personal Income <i>(USD)</i>	Unemployment Rate
2004	1,468,780	43,234,005	29,435	6.7%
2005	1,460,301	45,086,361	30,875	5.9%
2006	1,453,212	47,484,811	32,676	6.2%
2007	1,449,634	50,010,851	34,499	6.0%
2008	1,447,395	44,993,356	31,085	7.2%

Long Term Financial Planning

Long term financial planning for the City and for businesses and governments around the world has been made much more challenging with the sudden and dramatic rate of deterioration in the economy in past 20 months. As discussed above, the City has made significant changes to its budget and five-year plan to compensate for projected deficits and will continue to make those adjustments as necessary. Fiscal 2009 and 2010 budgets have been reduced and additional cuts are being forecast for the following fiscal year.

Some of the largest and fastest growing expenditures in the City's budget include employee health and pension benefits. Between fiscal year 2000 and fiscal year 2009 employee health benefits costs rose 114% and pension costs increased 110%, whereas total City revenues only increased 35%. In order to address the challenges these long term structural costs present, the City is seeking changes to its health and pension benefits by reducing the cost to the City, implementing efficiency savings and seeking increased employee contributions and risk sharing. Some of these changes are already being made to the City-administered programs and those related to the Fraternal Order of Police as a result of the December 18, 2009 Act 111 arbitration award. The City is seeking similar changes with the remaining bargaining units whose contracts expired July 2009.

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

- **Greenworks Philadelphia.** The City is committed to becoming the greenest city in the U.S. by 2015. In order to achieve that goal the City has created a detailed work plan and begun implementation of Greenworks Philadelphia, which outlines those goals and initiatives the City, will engage in to limit its environmental footprint and capitalize on its competitive advantages in the emerging green economy.
- **PhillyGoes2College.** Improving educational outcomes is necessary in order to improve the overall wellbeing of Philadelphia residents. As a way of increasing access to higher education the City is opening a new PhillyGoes2College office to assist residents to and through college as well as help them find scholarships to finance their education.
- **Investments in Technology.** Despite the significant budget cuts departments have endured over the course of the past year and a half, the City is devoting resources to long-needed technology investments across government. These investments will help streamline operations and reduce costs in the long-term.

Cash Management

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

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

Risk Management

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

Pension and Other Post-employment Benefits

The Charter mandates that the City maintain an actuarially sound pension and retirement system. To satisfy that mandate, the City's Board of Pensions and Retirement maintains the single-employer Municipal Pension Plan (the Plan). The Plan covers all officers and employees of the City and officers and employees of five other governmental and quasi-governmental organizations. By authority of two Ordinances and related amendments passed by City Council, the Plan provides retirement benefits as well as death and disability benefits. Benefits vary by the class of employee. The plan has two major classes of members - those covered under the 1967 Plan and those covered under the 1987 Plan. Each of these two plans has multiple divisions.

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


AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the twenty-ninth consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

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

This report is dedicated to the memory of James Coin, Assistant Director of Accounting, (1957 – 2010) who led the City's CAFR certificate effort for many years.

Respectfully submitted,



ROB DUBOW
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Philadelphia
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

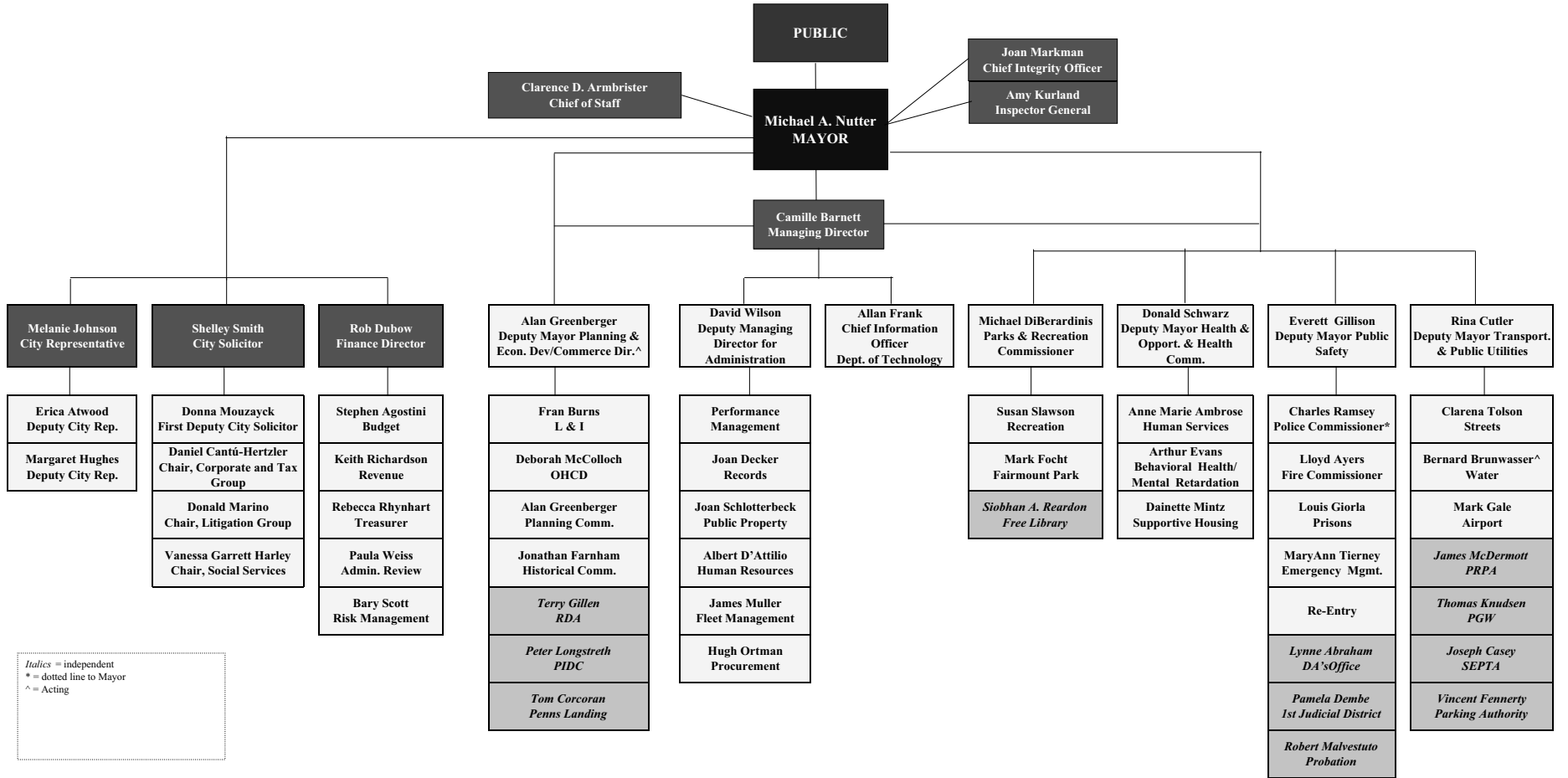


A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director





Elected Officials

Mayor	Michael A. Nutter
City Council	
President, 2nd District	Anna Cibotti Verna
1st District	Frank DiCicco
3rd District	Jannie L. Blackwell
4th District	Curtis Jones, Jr.
5th District	Darrell L. Clarke
6th District	Joan L. Krajewski
7th District	Maria D. Quinones-Sanchez
8th District	Donna Reed Miller
9th District	Marian B. Tasco
10th District	Brian J. O'Neill
At-Large	Blondell Reynolds Brown
At-Large	W. Wilson Goode, Jr.
At-Large	William K. Greenlee
At-Large	Jack Kelly
At-Large	James F. Kenney
At-Large	Bill Green
At-Large	Frank Rizzo
District Attorney	Lynne M. Abraham
City Controller	Alan Butkovitz
City Commissioners	
Chairwoman	Margaret M. Tartaglione
Commissioner	Anthony Clark
Commissioner	Edgar Howard
Register of Wills	Ronald R. Donatucci
Clerk of Quarter Sessions	Vivian T. Miller
Sheriff	John Green
First Judicial District of Pennsylvania	
President Judge, Court of Common Pleas	Pamela P. Dembe
President Judge, Municipal Court	Marsha H. Neifield
President Judge, Traffic Court	Thomasine Tynes



Appointed Officials

Managing Director	Camille Cates Barnett, Ph.D.
Director of Finance	Rob Dubow
City Solicitor	Shelley A. Smith
City Representative	Melanie Johnson
Chief of Staff	Clarence Armbrister
Deputy Mayor for Public Safety	Everett A. Gillison
Deputy Mayor for Health & Opportunity/Health Commissioner	Donald R. Schwarz, MD
Deputy Mayor for Planning & Economic Development/Commerce Director	Alan Greenberger
Chief Integrity Officer	Joan L. Markman
Inspector General	Amy L. Kurland
Chief Education Advisor to the Mayor	Lori A. Shorr, Ph.D.
Senior Advisor to the Mayor	Pauline Abernathy
Chief Information Officer	Allan Frank
Executive Director of the City Planning Commission	Alan Greenberger
City Treasurer	Rebecca Rhyhart
Revenue Commissioner	Keith Richardson
Procurement Commissioner	Hugh Ortman
Police Commissioner	Charles Ramsey
Prisons Commissioner	Louis Giorla
Streets Commissioner	Clarena Tolson
Fire Commissioner	Lloyd Ayers
Commissioner of Parks and Recreation	Michael DiBerardinis
Public Property Commissioner	Joan Schlotterbeck
Director of the Office of Behavioral Health	Arthur C. Evans, MD
Department of Human Services Commissioner	Anne Marie Ambrose
Licenses and Inspections Commissioner	Fran Burns
Water Commissioner	Bernard Brunwasser
Records Commissioner	Joan T. Decker
Human Resources Director	Albert L. D'Attilio
Executive Director of the Board of Pensions & Retirement	Gwendolyn Bell
Executive Director of the Sinking Fund Commission	Carl P. Coin
Director of Aviation	Mark Gale
Director of the Office of Labor Relations	Joseph Tolan





CITY OF PHILADELPHIA

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

ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Honorable Members
of the Council of the City of Philadelphia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2009, which collectively comprise the City of Philadelphia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the entities whose percentage of assets and revenues are disclosed in Note I-1C. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors.

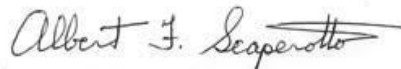
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

C I T Y O F P H I L A D E L P H I A
OFFICE OF THE CONTROLLER

The management's discussion and analysis on pages 13 through 25, and the major funds budgetary comparison schedules, the pension plans and other post employment benefits-schedule of funding progress, and the related notes to required supplementary information, on pages 124 through 128, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia's basic financial statements. The accompanying Introductory Section, Other Supplementary Information, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2009 financial information listed as Other Supplementary Information in the table of contents, has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the 2009 basic financial statements taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Philadelphia's basic financial statements for the year ended June 30, 2008, which are not presented with the accompanying financial statements. In our report dated February 20, 2009, we expressed unqualified opinions on the respective 2008 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. In our opinion, the 2008 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations, on pages 154 through 158, are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008, taken as a whole. The Introductory Section and Statistical Section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



ALBERT F. SCAPEROTTO, CPA
Deputy City Controller

February 18, 2010

City of Philadelphia

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

Management's Discussion & Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2009 has been prepared by the city's management. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the city's financial statements immediately following this discussion and analysis.

Financial Highlights

- At the end of the current fiscal year, the City of Philadelphia's *net assets* were \$238.9 million resulting from an excess of its assets over its liabilities. Its *unrestricted net assets* showed a deficit of \$1,850.8 million. This deficiency will have to be funded from resources generated in future years.
- During the current fiscal year the city's total net assets decreased by \$543.6 million. The governmental activities of the city experienced a decrease of \$572.9 million, while the business type activities had an increase of \$29.4 million.
- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of \$659.4 million, a decrease of \$169.3 million from last year. Primarily, this was due to the General fund which experienced a decrease in Fund Balance of \$310.0 million. The *unreserved fund balance* of the governmental funds ended the fiscal year with a deficit of \$75.3 million, a decrease of \$129.9 million from last year.
- The overall unreserved fund balance of the city's General fund ended the fiscal year with a deficit of \$274.5 million, a decrease from last year of \$250.2 million. This is due to a decrease in revenues of \$192.3 million, a 5.6% decrease over the previous year.
- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a deficit fund balance of \$137.2 million, as compared to a surplus of \$119.5 million last year. This decrease of \$256.7 million was due to the operating deficit of \$277.4 million offset by some cancellations of prior year obligations.

Overview of the Financial Statements

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

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

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

The *statement of net assets* which includes all of the city's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are an indicator of whether the city's financial position is improving or deteriorating.

The *statement of activities* presents revenues and expenses and their effect on the change in the city's net assets during the current fiscal year. These changes in net assets are recorded as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

The government-wide financial statements of the city are reflected in three distinct categories:

• *Governmental activities* are primarily supported by taxes and state and federal grants. The governmental activities include general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; streets, highways and sanitation; and the financing activities of the city's two blended component units - the Pennsylvania Intergovernmental Cooperation Authority and Philadelphia Municipal Authority.

• *Business-type activities* are supported by user fees and charges which are intended to recover all or a significant portion of their costs. The city's water and waste water systems, airport and industrial land bank are all included as business type activities.

These two activities comprise the primary government of Philadelphia.

• *Component units* are legally separate entities for which the City of Philadelphia is financially accountable or has oversight responsibility. Financial information for these component units is reported separately from the financial information presented for the primary government. The city's government-wide financial statements contain ten distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, the Convention Center Authority, Gas Works, Housing Authority, Parking Authority, Delaware River Waterfront Corporation, Philadelphia Authority for Industrial Development and the Redevelopment Authority.

Fund financial statements. The fund financial statements provide detailed information about the city's most significant funds, not the city as a whole. Funds are groupings of activities that enable the city to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City of Philadelphia can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

• **Governmental funds.** The governmental funds are used to account for the financial activity of the city's basic services, similar to those described for the governmental activities in the government-wide financial statements. However, unlike the government-wide statements which provide a long-term focus of the city, the fund financial statements focus on a short term view of the inflows and outflows of expendable resources, as well as on the balances of expendable resources available at the end of the fiscal year. The financial information presented for the governmental funds are useful in evaluating the city's short term financing requirements.

To help the readers of the financial statements better understand the relationships and differences between the long term view of the government-wide financial statements from the short term view of the fund financial statements, reconciliations are presented between the fund financial statements and the government-wide statements.

The city maintains twenty-three 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 twenty funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

•**Proprietary funds.** The proprietary funds are used to account for the financial activity of the city's operations for which customers are charged a user fee; they provide both a long and short term view of financial information. The city maintains three enterprise funds which are a type of proprietary funds - the airport, water and waste water operations, and industrial land bank. These enterprise funds are the same as the business-type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.

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

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

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

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

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

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

- **Required supplementary information.** Certain information regarding pension plan funding progress for the city and its component units, as well as budgeted and actual revenues, expenditures and encumbrances for the city's major governmental funds is presented in this section. This required supplementary information can be found immediately following the notes to the financial statements.

- **Supplementary information.** Combining statements for non-major governmental and fiduciary funds, as well as additional budgetary schedules for the city's governmental and proprietary funds are presented in this section. This supplementary information can be found immediately following the required supplementary information.

- **Statistical information.** Long term trend tables of financial, economic, demographic and operating data are presented in the statistical section. This information is located immediately after the supplementary information.

Government-wide Financial Analysis

Net assets. As noted earlier, net assets are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's assets exceeded its liabilities by \$238.9 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 assets, \$744.7 million. Although these capital assets assist the city in providing services to its citizens, they are generally not available to fund the operations of future periods.

A portion of the city's net assets, \$1,345.0 million, are subject to external restrictions as to how they may be used. The remaining component of net assets is unrestricted. Unrestricted net assets ended the fiscal year with a deficit of \$1,850.8 million. The governmental activities reported negative *unrestricted net assets* of \$2,120.6 million. Any deficits will have to be funded from future revenues. The business type activities reported an unrestricted net assets surplus of \$269.8 million.

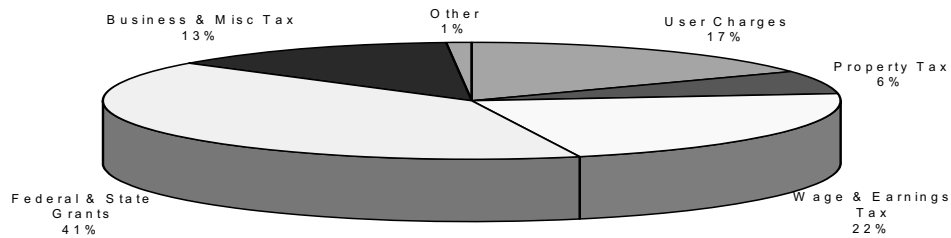
Following is a comparative summary of the city's assets, liabilities and net assets:

City of Philadelphia's Net Assets

(millions of USD)

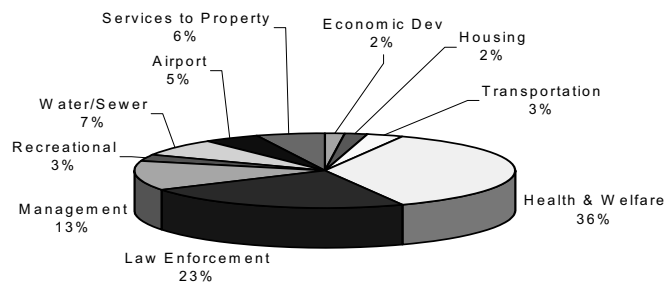
	Governmental			Business-type			Total		
	Activities		%	Activities		%	Primary Government		%
	2009	2008	Change	2009	2008	Change	2009	2008	Change
Current and other assets	2,206.1	2,478.3	-10.98%	1,298.6	1,352.7	-4.00%	3,504.7	3,831.0	-8.52%
Capital assets	2,157.1	2,183.3	-1.20%	3,322.8	3,188.4	4.22%	5,479.9	5,371.7	2.01%
Total assets	4,363.2	4,661.6	-6.40%	4,621.4	4,541.1	1.77%	8,984.6	9,202.7	-2.37%
Long-term liabilities	4,816.4	4,572.8	5.33%	2,940.4	2,907.8	1.12%	7,756.8	7,480.6	3.69%
Other liabilities	839.5	808.5	3.83%	149.5	131.2	13.95%	989.0	939.7	5.25%
Total liabilities	5,655.9	5,381.3	5.10%	3,089.9	3,039.0	1.67%	8,745.8	8,420.3	3.87%
Net assets:									
Invested in capital assets,									
net of related debt	(5.8)	206.4	-102.81%	750.6	591.8	26.83%	744.8	798.2	-6.69%
Restricted	833.8	641.0	30.08%	511.1	644.1	-20.65%	1,344.9	1,285.1	4.65%
Unrestricted	(2,120.6)	(1,567.1)	-35.32%	269.8	266.2	1.35%	(1,850.8)	(1,300.9)	-42.27%
Total net assets	(1,292.6)	(719.7)	-79.60%	1,531.5	1,502.1	1.96%	238.9	782.4	-69.47%

Changes in net assets. The city's total revenues this year, \$6,564.5 million, fell short of total costs of \$7,090.6 million by \$526.2 million. Approximately 28% of all revenue came from property and wage and earnings taxes. State, Federal and local grants account for another 41%, with the remainder of the revenue coming from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 60% are related to the health, welfare and safety of the general public.



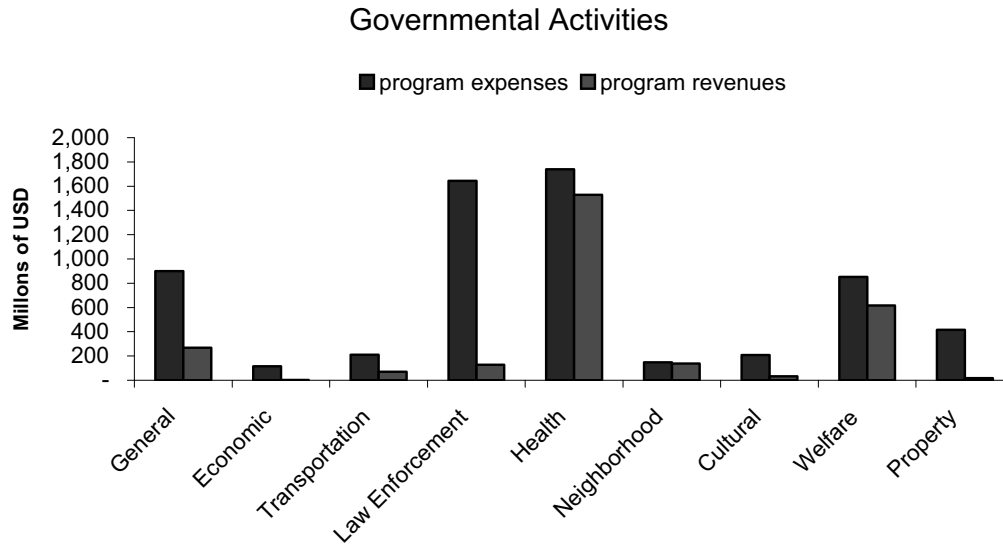
Overall, net assets for the city decreased by \$543.6 million. Total revenues increased by \$50.8 million, total expenses increased by \$279.4 million over last year. This resulted in the Change in Net Assets being \$228.6 million lower than in the previous year. Last year's net assets were also changed by a \$24.1 million decrease due to the correction of the calculation of interest accretion and an increase of \$6.7 million for contributed capital assets not previously recognized. Tax receipts decreased by \$80.0 million largely attributable to decreased wage and earnings tax collections and real estate transfer tax collections. Grants & Contributions increased \$3.0 million.

Expense increases included \$128.9million for Health Services, \$119.5 for Interest on Long Term Debt, \$47.2million for General management and Support, and \$27.8 million for Prisons.



Governmental Activities

The governmental activities of the City resulted in a \$573.0 million decrease in net assets. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



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

<i>(millions of USD)</i>	Program			Program			Net		
	Costs		%	Revenues		%	Cost		%
	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
General Welfare	851.2	907.0	-6.2%	617.1	637.7	-3.2%	234.1	269.3	-13.1%
Judiciary & Law Enforcement	1,643.4	1,635.8	0.5%	127.8	139.8	-8.6%	1,515.6	1,496.0	1.3%
Public Health	1,738.4	1,609.8	8.0%	1,530.0	1,504.4	1.7%	208.4	105.4	97.7%
General Governmental	898.7	732.0	22.8%	269.4	156.8	71.8%	629.3	575.2	9.4%
Services to Property	416.4	422.8	-1.5%	17.6	5.5	220.0%	398.8	417.3	-4.4%
Housing, Economic & Cultural	682.6	674.3	1.2%	244.5	203.4	20.2%	438.1	470.9	-7.0%
	6,230.7	5,981.7	4.2%	2,806.4	2,647.6	6.0%	3,424.3	3,334.1	2.7%

The cost of all governmental activities this year was \$6,230.7 million; the amount that taxpayers paid for these programs through tax payments was \$2,717.3 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$2,473.1 million while those who benefited from the programs paid \$333.4 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 \$153.9 million. After prior year adjustments of -\$24.1 million, the difference of \$743.8 million will have to be funded from future resources.

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

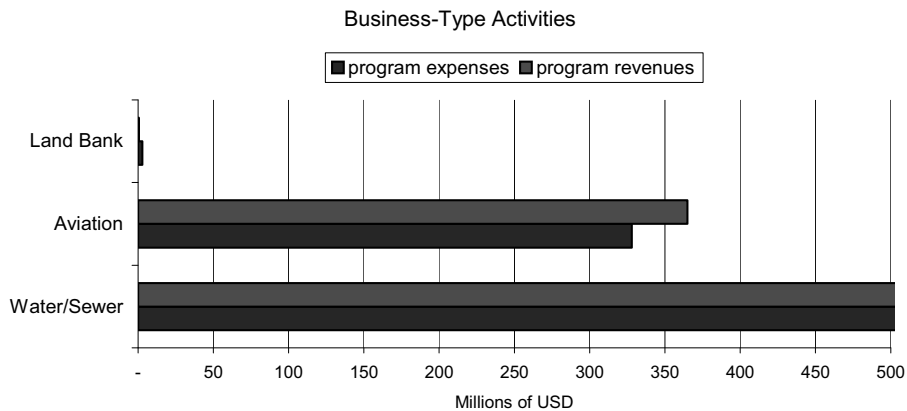
City of Philadelphia-Net Assets

	Governmental Activities		Business-type Activities		Total		% Change
	2009	2008	2009	2008	2009	2008	
<i>(millions of USD)</i>							
Revenues:							
Program revenues:							
Charges for services	333.4	297.7	751.9	808.0	1,085.3	1,105.7	-1.8%
Operating grants and contributions	2,438.1	2,339.9	2.6	5.4	2,440.7	2,345.3	4.1%
Capital grants and contributions	35.0	10.0	109.4	36.6	144.4	46.6	209.9%
General revenues:							
Wage and earnings taxes	1,465.5	1,524.5	-	-	1,465.5	1,524.5	-3.9%
Property taxes	409.2	401.3	-	-	409.2	401.3	2.0%
Other taxes	842.6	871.5	-	-	842.6	871.5	-3.3%
Unrestricted grants and contributions	107.8	104.7	-	-	107.8	104.7	3.0%
Unrestricted Interest	46.1	65.3	22.9	48.7	69.0	114.0	-39.5%
Total revenues	5,677.7	5,614.9	886.8	898.7	6,564.5	6,513.6	0.8%
Expenses:							
Economic development	116.0	116.4	-	-	116.0	116.4	-0.3%
Transportation	209.6	206.0	-	-	209.6	206.0	1.7%
Judiciary & law enforcement	1,643.4	1,635.8	-	-	1,643.4	1,635.8	0.5%
Conservation of health	1,738.4	1,609.8	-	-	1,738.4	1,609.8	8.0%
Housing & neighborhood development	149.1	142.1	-	-	149.1	142.1	4.9%
Cultural & recreational	207.9	209.8	-	-	207.9	209.8	-0.9%
Improvement of the general welfare	851.2	907.0	-	-	851.2	907.0	-6.2%
Services to taxpayer property	416.4	422.8	-	-	416.4	422.8	-1.5%
General management	684.2	637.0	-	-	684.2	637.0	7.4%
Interest on long term debt	214.6	95.1	-	-	214.6	95.1	125.7%
Water & waste water	-	-	530.7	504.2	530.7	504.2	5.3%
Airport	-	-	326.2	323.1	326.2	323.1	1.0%
Industrial land bank	-	-	3.0	2.1	3.0	2.1	42.9%
Total expenses	6,230.8	5,981.8	859.9	829.4	7,090.7	6,811.2	4.1%
Increase (decrease) in net assets							
before transfers & special items	(553.1)	(366.9)	26.9	69.3	(526.2)	(297.6)	
Transfers	4.2	5.0	(4.2)	(5.0)	-	-	
Increase (decrease) in Net Assets	(548.9)	(361.9)	22.7	64.3	(526.2)	(297.6)	
Net Assets - Beginning	(719.7)	(369.4)	1,502.1	1,436.4	782.4	1,067.0	-26.7%
Adjustment	(24.1)	11.6	6.8	1.4	(17.4)	13.0	
Net Assets - End	(1,292.8)	(719.7)	1,531.6	1,502.1	238.8	782.4	-69.5%

Business-type Activities

Business-type activities caused the city's net assets to increase by \$29.4 million. This increase was comprised of a decrease in net assets for water/wastewater of \$6.7 million, an increase to aviation of \$38.5 million and a decrease for industrial & commercial development operations of \$2.4 million. Some of the key reasons for these changes are:

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

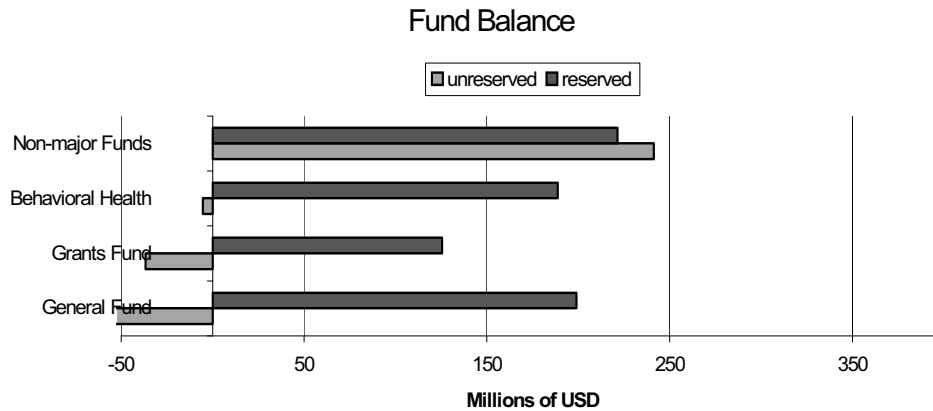


Financial Analysis of the Government's Funds

Governmental funds. The purpose of the city's governmental funds is to provide financial information on the *short term inflow, outflow and balance* of resources. This information is useful in assessing the city's ability to meet its near-term financing requirements. *Unreserved fund balance* serves as a useful measure of the city's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year the city's governmental funds reported a *combined fund balance* of \$659.4 million a decrease of \$169.3 million over last year. Of the total fund balance, \$734.7 million represents *reserved fund balance* which indicates that it is not available for new spending because it has already been committed to: contracts for goods and services (\$180.0 million); revitalize neighborhoods (\$74.6 million); pay debt service (\$77.6 million); support programs funded by independent agencies (\$74.7 million); fund a portion of the city's managed care programs (\$188.7 million); fund a portion of new sports stadiums (\$1.6 million); fund the 9-1-1 emergency phone system (\$38.8 million); fund a portion of the central library renovation project (\$4.7million), cultural and commercial corridor project (\$89.8million); and trusts (\$3.9 million). The difference between the combined fund balance and reserved fund balance is a deficit of \$75.3 million which constitutes *unreserved fund balance*, this deficit must be funded by future budgets.

The general fund, the primary operating fund of the city, reported an *unreserved fund balance deficit* of \$274.5 million at the end of the fiscal year. Ratios of the general fund's unreserved fund balance and total fund balance to its total expenditures can be useful indicators of the general fund's liquidity. These ratios for the year just ended were -7.2% and -1.98%, respectively.



Overall, the total fund balance (reserved and unreserved) of the general fund decreased by \$310.0 million during the current fiscal year. This decrease was due to an excess of expenditures and other financing uses over revenues and other financing sources for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- A decrease of \$135.9 million in tax revenue due to a decline in collections for Wage & Earnings Tax, Business Privilege Tax and Real Property Transfer Tax.

Expenditures:

- Expenditures for the year decreased \$59.0 million, a decrease of 1.5%.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of \$183.3 million of which \$188.7 million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance decreased during the fiscal year by \$35.0 million.

The Grants Revenue fund has a total fund balance in the amount of \$88.9 million which is comprised of a positive reserved fund balance of \$125.6 million (earmarked for neighborhood revitalization and emergency telephone system programs) and a deficit unreserved fund balance of \$36.7 million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unreserved fund balance. The overall fund balance of the grants revenue fund experienced a decrease of \$13.2 million during the current fiscal year due primarily to increases in health & housing and neighborhood development expenditures.

Proprietary funds. The city's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net assets* of the proprietary funds increased by \$29.4 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had a decrease of \$6.7 million, airport operations which experienced an increase of \$38.5 million, while industrial & commercial development operations experienced a decrease of \$2.3 million.

The proprietary funds reported an *unrestricted nets assets* surplus of \$269.8 million, comprised of \$174.2 million for the water and waste water operations, \$77.7 million for the airport and \$17.8 million for the industrial & commercial development activities. These unrestricted net assets represent an overall increase of \$3.7 million over the previous year, comprised of an increase of \$13.7 million for the water and waste water operations, a decrease of \$7.7 million for the airport and a decrease of \$2.3 million for the Land Bank. The change in the water unrestricted is the result of increased costs for personnel and fringe benefits.

General Fund Budgetary Highlights

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)
2009	(137.2)	(256.7)
2008	119.5	(178.4)
2007	297.9	43.4
2006	254.5	158.3
2005	96.2	143.0

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

- \$8.9 million for Police Department payroll
- \$13.0 million for Prison payroll and prisoners health care
- \$5.0 million for City Solicitor contracted services

The general fund's budgetary unreserved fund balance deficit of \$137.2 million differs from the general fund's fund financial statement deficit of \$274.5 million by \$137.3 million due to business privilege tax receipts which are received prior to being earned but have no effect on budgeted cash receipts.

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to \$5.5 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. Major capital asset events for which capital expenditures have been incurred during the current fiscal year include the following:

- Infrastructure improvements of \$44.4 million for streets, highways and bridges and \$76.4 million for the water and waste water systems.
- City Hall complex exterior renovations in the amount of \$6.6 million.
- Adjudicated Youth Center relocation totaling \$4.1 million.
- Surveillance camera video system \$5.8 million.
- Subway, Elevated and Rail improvements totaling \$3.7 million.
- Airport terminal and airfield improvements in the amount of \$173.8 million.

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation

(millions of USD)

	Governmental			Business-type			Total		Inc (Dec)
	activities		Inc (Dec)	activities		Inc (Dec)	2009	2008	
	2009	2008		2009	2008				
Land	754.0	750.6	3.4	94.4	94.4	-	848.4	845.0	3.4
Buildings	738.9	769.5	(30.6)	1,581.7	1,580.6	1.1	2,320.6	2,350.1	(29.5)
Improvements other than buildings	95.3	97.7	(2.4)	122.2	118.9	3.3	217.5	216.6	0.9
Machinery & equipment	205.3	221.2	(15.9)	28.6	30.4	(1.8)	233.9	251.6	(17.7)
Infrastructure	353.5	339.2	14.3	1,196.2	1,149.1	47.1	1,549.7	1,488.3	61.4
Construction in progress	10.1	5.1	5.0	299.7	215.0	84.7	309.8	220.1	89.7
Total	2,157.1	2,183.3	(26.2)	3,322.8	3,188.4	134.4	5,479.9	5,371.7	108.2

The city's governmental activities experienced an overall decrease in capital assets of \$26.2 million (net of accumulated depreciation) during the current fiscal year. The decreases are a result of normal depreciation costs for the fiscal year.

More detailed information about the city's capital assets can be found in notes I.6 & III.5 to the financial statements.

Long-term debt. At year end the city had \$7.8 billion in long term debt outstanding. Of this amount, \$5.0 billion represents bonds outstanding (comprised of \$2.1 billion of debt backed by the full faith and credit of the city, and \$2.9 billion of debt secured solely by specific revenue sources) while \$2.8 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	
	2009	2008	2009	2008	2009	2008
<u>Bonds Outstanding:</u>						
General obligation bonds	2,078.9	1,883.3	3.4	4.6	2,082.3	1,887.9
Revenue bonds	-	-	2,899.1	2,872.2	2,899.1	2,872.2
Total Bonds Outstanding	2,078.9	1,883.3	2,902.5	2,876.8	4,981.4	4,760.1
<u>Other Long Term Obligations:</u>						
Service agreements	2,232.4	2,252.7	-	-	2,232.4	2,252.7
Employee related obligations	466.3	399.4	31.7	27.8	498.0	427.2
Indemnities	37.6	36.1	4.4	2.4	42.0	38.5
Other	1.2	1.3	1.8	0.8	3.0	2.1
Total Other Long Term Obligations	2,737.5	2,689.5	37.9	31.0	2,775.4	2,720.5
Total Long Term Debt Outstanding	4,816.4	4,572.8	2,940.4	2,907.8	7,756.8	7,480.6

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid \$350.0 million in Tax and Revenue Anticipation Notes by June 2009 plus interest. In accordance with statute there are no temporary loans outstanding at year end.
- In January 2009, the City issued general obligation bonds Series 2008B in the amount of \$165.0 million. Serial bonds issued in the amount of \$20.5 million have interest rates ranging from 4.0% to 6.0% maturing in 2018. The remaining term bonds have interest rates ranging from 5.25% to 7.125% maturing in 2038. The proceeds of the bonds are being used for capital projects relating to transit, streets and sanitation, municipal buildings, park, recreation and museums and economic and community development.

Currently the city's bonds as rated by Moody's, Standard & Poor's and Fitch are as follows:

Bond Type	Moody's Investor Service	Standard & Poor's Corporation	Fitch IBCA
General Obligation Bonds	Baa1	BBB	BBB+
Water Revenue Bonds	A3	A	A-
Aviation Revenue Bonds	A2	A+	A

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13% of the average assessed valuations of properties over the past ten years. As of *July 1, 2009* the legal debt limit was \$1,469.4 million. There is \$1,318.0 million of outstanding tax supported debt leaving a legal debt margin of \$151.4 million.

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

Economic Factors and Next Year's Budgets and Rates

The following factors have been considered in preparing the City of Philadelphia's budget for the 2010 fiscal year:

- Philadelphia entered FY10 with a negative fund balance of \$137.2 million despite having solved for a \$1.7 billion shortfall in the five year plan over FY2009-FY2014.
- The City suspended its planned wage and business tax reductions between FY10 and FY14 due to projected revenue shortfalls over the five-year plan.
- Workforce reductions were implemented throughout FY09 through the use of layoffs and by not replacing vacant positions.
- Union contracts for three of the City's four major bargaining units are still outstanding, despite having expired in July 2009. Any awarded or negotiated wage or benefit increases will increase costs for the City.
- The country entered its most recent recession in December 2007. It is the longest recession in the post-WWII period.
- Economists expect a slow and long recovery from the current recession. Philadelphia's recovery, like that of other local governments, is expected to take longer than the nation due to high urban unemployment and lagging tax revenue collections.

Requests for information

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

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



City of Philadelphia
PENNSYLVANIA

**Basic
Financial
Statements**

City of Philadelphia
Statement of Net Assets
June 30, 2009

Exhibit I

Amounts in thousands of USD

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
Assets				
Cash on Deposit and on Hand	68,776	30	68,806	277,396
Equity in Pooled Cash and Investments	-	-	-	159,383
Equity in Treasurer's Account	605,495	163,031	768,526	-
Investments	204,868	-	204,868	165,459
Due from Component Units	10,797	-	10,797	-
Due from Primary Government	-	-	-	88,373
Amounts Held by Fiscal Agent	155,057	-	155,057	71,603
Notes Receivable - Net	-	-	-	37,113
Accounts Receivable - Net	314,032	132,673	446,705	284,721
Interest and Dividends Receivable	1,530	-	1,530	17,040
Due from Other Governments - Net	412,751	1,421	414,172	93,212
Inventories	18,043	27,160	45,203	208,761
Other Assets	4,821	-	4,821	264,532
Restricted Assets:				
Cash and Cash Equivalents	-	215,319	215,319	336,719
Other Assets	-	712,931	712,931	228,775
Net Pension Asset	410,011	45,977	455,988	-
Capital Assets:				
Land and Other Non-Depreciated Assets	763,188	394,086	1,157,274	797,670
Other Capital Assets (Net of Depreciation)	1,393,844	2,928,766	4,322,610	2,939,957
Total Capital Assets, Net	<u>2,157,032</u>	<u>3,322,852</u>	<u>5,479,884</u>	<u>3,737,627</u>
Total Assets	<u>4,363,213</u>	<u>4,621,394</u>	<u>8,984,607</u>	<u>5,970,714</u>
Liabilities				
Notes Payable	-	-	-	241,142
Vouchers Payable	93,456	11,857	105,313	76,293
Accounts Payable	176,876	71,444	248,320	199,545
Salaries and Wages Payable	84,455	6,380	90,835	60,305
Accrued Expenses	64,821	34,765	99,586	198,320
Due to Agency Funds	810	-	810	-
Due to Primary Government	-	-	-	61,531
Due to Component Units	64,293	-	64,293	-
Funds Held in Escrow	14,094	2,820	16,914	13,775
Due to Other Governments	-	-	-	25,064
Deferred Revenue	231,807	22,869	254,676	212,242
Overpayment of Taxes	108,840	-	108,840	10,112
Other Current Liabilities	-	-	-	60,724
Non-Current Liabilities:				
Due within one year	239,988	133,288	373,276	305,034
Due in more than one year	4,576,419	2,806,433	7,382,852	4,954,690
Total Liabilities	<u>5,655,859</u>	<u>3,089,856</u>	<u>8,745,715</u>	<u>6,418,777</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	(5,847)	750,563	744,716	193,772
Restricted For:				
Capital Projects	258,534	139,849	398,383	9,135
Debt Service	105,563	223,682	329,245	190,713
Behavioral Health	183,332	-	183,332	-
Intergovernmental Finance	12,119	-	12,119	-
Neighborhood Revitalization	74,623	-	74,623	-
Stadium Financing	1,659	-	1,659	-
Central Library Project	4,727	-	4,727	-
Cultural & Commercial Corridor Project	89,847	-	89,847	-
Grant Programs	69,696	-	69,696	12,831
Rate Stabilization	-	147,637	147,637	-
Libraries & Parks:				
Expendable	2,670	-	2,670	-
Non-Expendable	3,752	-	3,752	-
Educational Programs	-	-	-	10,456
Other	27,326	-	27,326	200,513
Unrestricted(Deficit)	<u>(2,120,647)</u>	<u>269,807</u>	<u>(1,850,840)</u>	<u>(1,065,483)</u>
Total Net Assets	<u>(1,292,646)</u>	<u>1,531,538</u>	<u>238,892</u>	<u>(448,063)</u>

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

City of Philadelphia
Statement of Activities
For the Fiscal Year Ended June 30, 2009

Exhibit II

Amounts in thousands of USD

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business Type Activities		
Primary Government:								
Governmental Activities:								
Economic Development	116,039	265	1,902	1,476	(112,396)		(112,396)	
Transportation:								
Streets & Highways	119,111	2,844	34,140	32,479	(49,648)		(49,648)	
Mass Transit	90,488	432	81	-	(89,975)		(89,975)	
Judiciary and Law Enforcement:								
Police	985,584	5,022	15,271	-	(965,291)		(965,291)	
Prisons	339,127	391	23	-	(338,713)		(338,713)	
Courts	318,669	51,803	55,263	-	(211,603)		(211,603)	
Conservation of Health:								
Emergency Medical Services	36,859	37,504	778	-	1,423		1,423	
Health Services	1,701,498	14,381	1,477,365	-	(209,752)		(209,752)	
Housing and Neighborhood Development:								
Development	149,061	31,263	107,139	-	(10,659)		(10,659)	
Cultural and Recreational:								
Recreation	77,323	3,160	13,677	189	(60,297)		(60,297)	
Parks	37,746	584	-	620	(36,542)		(36,542)	
Libraries and Museums	92,811	1,299	12,984	-	(78,528)		(78,528)	
Improvements to General Welfare:								
Social Services	756,302	7,577	568,106	-	(180,619)		(180,619)	
Education	67,176	1,050	-	-	(66,126)		(66,126)	
Inspections and Demolitions	27,761	40,288	73	-	12,600		12,600	
Service to Property:								
Sanitation	137,780	2,927	13,520	-	(121,333)		(121,333)	
Fire	278,620	654	548	(41)	(277,459)		(277,459)	
General Management and Support	684,109	131,915	137,245	255	(414,694)		(414,694)	
Interest on Long Term Debt	214,616	7	-	-	(214,609)		(214,609)	
Total Governmental Activities	<u>6,230,680</u>	<u>333,366</u>	<u>2,438,115</u>	<u>34,978</u>	<u>(3,424,221)</u>		<u>(3,424,221)</u>	
Business Type Activities:								
Water and Sewer	530,778	499,653	583	-	-	(30,542)	(30,542)	
Aviation	326,229	251,703	2,052	109,378	-	36,904	36,904	
Industrial and Commercial Development:								
Commercial Development	2,950	515	-	-	-	(2,435)	(2,435)	
Total Business Type Activities	<u>859,957</u>	<u>751,871</u>	<u>2,635</u>	<u>109,378</u>		<u>3,927</u>	<u>3,927</u>	
Total Primary Government	<u>7,090,637</u>	<u>1,085,237</u>	<u>2,440,750</u>	<u>144,356</u>	<u>(3,424,221)</u>	<u>3,927</u>	<u>(3,420,294)</u>	
Component Units:								
Gas Operations	862,252	840,035	25,324	-				3,107
Housing	68,560	635	67,218	-				(707)
Parking	209,819	210,429	-	-				610
Education	2,913,911	42,896	1,017,790	500				(1,852,725)
Health	733,096	-	732,329	-				(767)
Economic Development	182,713	40,661	119,756	134,084				111,788
Total Component Units	<u>4,970,351</u>	<u>1,134,656</u>	<u>1,962,417</u>	<u>134,584</u>				<u>(1,738,694)</u>
General Revenues:								
Taxes:								
Property Taxes					409,172	-	409,172	604,962
Wage & Earnings Taxes					1,465,499	-	1,465,499	-
Business Taxes					407,597	-	407,597	-
Other Taxes					435,005	-	435,005	179,566
Grants & Contributions Not Restricted to Specific Programs					107,817	-	107,817	1,089,674
Unrestricted Interest & Investment Earnings					46,079	22,899	68,978	8,901
Miscellaneous					-	-	-	1,643
Special Items					-	-	-	1,470
Transfers					4,185	(4,185)	-	13,619
Total General Revenues, Special Items and Transfers					<u>2,875,354</u>	<u>18,714</u>	<u>2,894,068</u>	<u>1,899,835</u>
Change in Net Assets					(548,867)	22,641	(526,226)	161,141
Net Assets - July 1, 2008					(719,654)	1,502,132	782,478	(606,387)
Adjustment					(24,125)	6,765	(17,360)	(2,817)
Net Assets Adjusted - July 1, 2008					<u>(743,779)</u>	<u>1,508,897</u>	<u>765,118</u>	<u>(609,204)</u>
Net Assets - June 30, 2009					<u>(1,292,646)</u>	<u>1,531,538</u>	<u>238,892</u>	<u>(448,063)</u>

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

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	9,988	-	75	107,990	118,053
Equity in Treasurer's Account	44,499	190,154	132,281	238,561	605,495
Investments	-	-	-	155,589	155,589
Due from Other Funds	18,434	-	-	4,617	23,051
Due from Component Units	10,797	-	-	-	10,797
Amounts Held by Fiscal Agent	96,233	-	58,824	-	155,057
Taxes Receivable	558,786	-	-	14,377	573,163
Accounts Receivable	307,357	-	74	11,379	318,810
Due from Other Governmental Units	271,940	63,388	83,466	27,274	446,068
Allowance for Doubtful Accounts	(612,987)	-	-	(1,052)	(614,039)
Interest and Dividends Receivable	176	1,266	-	88	1,530
Other Assets	-	-	-	62	62
Total Assets	705,223	254,808	274,720	558,885	1,793,636
Liabilities and Fund Balances					
Liabilities:					
Vouchers Payable	64,216	975	17,902	10,363	93,456
Accounts Payable	74,907	14,383	62,547	24,925	176,762
Salaries and Wages Payable	80,941	-	3,108	406	84,455
Due to Other Funds	799	-	-	23,063	23,862
Due to Component Units	-	56,118	4,025	4,150	64,293
Funds Held in Escrow	8,788	-	-	5,306	14,094
Deferred Revenue	442,290	-	98,273	27,937	568,500
Overpayment of Taxes	108,840	-	-	-	108,840
Total Liabilities	780,781	71,476	185,855	96,150	1,134,262
Fund Balances:					
Reserved for:					
Encumbrances	102,763	-	-	77,254	180,017
Neighborhood Revitalization	-	-	74,623	-	74,623
Behavioral Health	-	188,711	-	-	188,711
Intergovernmental Financing	-	-	-	62,571	62,571
Intergovernmentally Financed Programs	-	-	12,119	-	12,119
Public Safety Emergency Phone System	-	-	38,835	-	38,835
Debt Service	-	-	-	77,649	77,649
Trust Purposes	-	-	-	3,952	3,952
Central Library Project	4,727	-	-	-	4,727
Stadium Financing	1,659	-	-	-	1,659
Cultural & Commercial Corridor Project	89,847	-	-	-	89,847
Unreserved, reported in:					
General Fund	(274,554)	-	-	-	(274,554)
Special Revenue Funds	-	(5,379)	(36,712)	41,165	(926)
Debt Service Funds	-	-	-	1,419	1,419
Capital Projects Funds	-	-	-	196,055	196,055
Permanent Funds	-	-	-	2,670	2,670
Total Fund Balances	(75,558)	183,332	88,865	462,735	659,374
Total Liabilities and Fund Balances	705,223	254,808	274,720	558,885	

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

a. Capital Assets used in governmental activities are not reported in the funds	2,157,032
b. Unearned Receivables are deferred in the funds	336,693
c. Long Term Liabilities, including bonds payable, are not reported in the funds	(4,816,407)
d. Net Pension Asset is not reported in the funds	410,011
e. Other	(39,349)

Net Assets of Governmental Activities (1,292,646)

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

City of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

Exhibit IV

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,259,321	-	-	445,883	2,705,204
Locally Generated Non-Tax Revenue	236,205	7,519	44,253	61,322	349,299
Revenue from Other Governments	715,693	754,291	875,074	219,807	2,564,865
Other Revenues	39,837	-	-	9,743	49,580
Total Revenues	3,251,056	761,810	919,327	736,755	5,668,948
Expenditures					
Current Operating:					
Economic Development	66,656	-	2,552	37,834	107,042
Transportation:					
Streets & Highways	64,487	-	-	25,446	89,933
Mass Transit	63,624	-	81	-	63,705
Judiciary and Law Enforcement:					
Police	923,083	-	10,830	-	933,913
Prisons	325,997	-	23	855	326,875
Courts	262,229	-	48,263	-	310,492
Conservation of Health:					
Emergency Medical Services	35,542	-	673	-	36,215
Health Services	157,241	796,813	690,249	50,716	1,695,019
Housing and Neighborhood Development					
	4,003	-	60,887	83,500	148,390
Cultural and Recreational:					
Recreation	58,189	-	6,878	-	65,067
Parks	22,616	-	50	9,121	31,787
Libraries and Museums	67,090	-	12,804	1,095	80,989
Improvements to General Welfare:					
Social Services	697,098	-	46,051	-	743,149
Education	67,176	-	-	-	67,176
Inspections and Demolitions	32,490	-	632	-	33,122
Service to Property:					
Sanitation	131,280	-	3,363	-	134,643
Fire	266,876	-	-	-	266,876
General Management and Support					
	565,878	-	36,101	91,806	693,785
Capital Outlay	-	-	-	126,925	126,925
Debt Service:					
Principal	-	-	-	87,607	87,607
Interest	-	-	-	105,700	105,700
Bond Issuance Cost	-	-	-	8,487	8,487
Total Expenditures	3,811,555	796,813	919,437	629,092	6,156,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	(560,499)	(35,003)	(110)	107,663	(487,949)
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	262,850	262,850
Issuance of Refunding Debt	-	-	-	354,925	354,925
Bond Issuance Premium	-	-	-	26,678	26,678
Bond Issuance Discount	-	-	-	(3,090)	(3,090)
Bond Defeasance	-	-	-	(326,865)	(326,865)
Transfers In	373,245	-	-	201,272	574,517
Transfers Out	(122,747)	-	(13,135)	(434,449)	(570,331)
Total Other Financing Sources (Uses)	250,498	-	(13,135)	81,321	318,684
Net Change in Fund Balance	(310,001)	(35,003)	(13,245)	188,984	(169,265)
Fund Balance - July 1, 2008	234,443	218,335	102,110	273,751	828,639
Fund Balance - June 30, 2009	(75,558)	183,332	88,865	462,735	659,374

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

**City of Philadelphia
 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, 2009**

Exhibit V

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds.....	(169,265)
 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 outlays (138,540) exceeded depreciation (125,811) in the current period.....	12,729
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	11,709
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (616,522) exceeded repayments (486,812).....	(129,710)
d. The increase in the Net Pension Obligation reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.....	(92,379)
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.....	(181,952)
 Change in Net Assets of governmental activities.....	 <u>(548,867)</u>

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

City of Philadelphia
Statement of Fund Net Assets
Proprietary Funds
June 30, 2009

Exhibit VI

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			Total
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
Assets				
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	56,445	102,127	4,459	163,031
Due from Other Governments	456	965	-	1,421
Accounts Receivable	209,454	12,173	1,975	223,602
Allowance for Doubtful Accounts	(89,845)	(1,084)	-	(90,929)
Inventories	12,800	2,963	11,397	27,160
Total Current Assets	189,340	117,144	17,831	324,315
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	377,704	333,791	-	711,495
Amounts Held by Fiscal Agent	-	30,317	-	30,317
Sinking Funds and Reserves	116,075	47,155	-	163,230
Grants for Capital Purposes	-	13,529	-	13,529
Receivables	1,145	8,534	-	9,679
Total Restricted Assets	494,924	433,326	-	928,250
Net Pension Asset	37,878	8,099	-	45,977
Capital Assets:				
Land	5,919	88,433	-	94,352
Infrastructure	1,915,671	557,657	-	2,473,328
Construction in Progress	151,517	148,217	-	299,734
Buildings and Equipment	1,461,682	1,850,551	-	3,312,233
Less: Accumulated Depreciation	(1,808,339)	(1,048,456)	-	(2,856,795)
Total Capital Assets, Net	1,726,450	1,596,402	-	3,322,852
Total Non-Current Assets	2,259,252	2,037,827	-	4,297,079
Total Assets	2,448,592	2,154,971	17,831	4,621,394
Liabilities				
Current Liabilities:				
Vouchers Payable	9,172	2,685	-	11,857
Accounts Payable	7,761	11,061	-	18,822
Salaries and Wages Payable	3,320	3,060	-	6,380
Construction Contracts Payable	8,224	44,398	-	52,622
Accrued Expenses	18,416	16,349	-	34,765
Funds Held in Escrow	2,820	-	-	2,820
Deferred Revenue	7,478	15,391	-	22,869
Bonds Payable-Current	94,778	38,510	-	133,288
Total Current Liabilities	151,969	131,454	-	283,423
Non-Current Liabilities:				
Bonds Payable	1,623,779	1,232,700	-	2,856,479
Unamortized Discount and Loss	(66,395)	(20,822)	-	(87,217)
Other Non-Current Liabilities	23,343	13,828	-	37,171
Total Non-Current Liabilities	1,580,727	1,225,706	-	2,806,433
Total Liabilities	1,732,696	1,357,160	-	3,089,856
Net Assets				
Invested in Capital Assets, Net of Related Debt	190,535	560,028	-	750,563
Restricted For:				
Capital Projects	87,404	52,445	-	139,849
Debt Service	116,075	107,607	-	223,682
Rate Stabilization	147,637	-	-	147,637
Unrestricted	174,245	77,731	17,831	269,807
Total Net Assets	715,896	797,811	17,831	1,531,538

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

City of Philadelphia
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

Exhibit VII

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
Operating Revenues:				
Charges for Goods and Services	494,087	73,951	-	568,038
Sales of Land and Improvements	-	-	150	150
Rentals and Concessions	-	173,574	-	173,574
Miscellaneous Operating Revenues	5,566	4,178	365	10,109
Total Operating Revenues	499,653	251,703	515	751,871
Operating Expenses:				
Personal Services	110,324	63,732	-	174,056
Purchase of Services	85,553	75,493	1,320	162,366
Materials and Supplies	38,795	6,586	-	45,381
Employee Benefits	81,855	41,501	-	123,356
Indemnities and Taxes	5,859	938	-	6,797
Depreciation	83,996	82,157	-	166,153
Cost of Goods Sold	-	-	1,630	1,630
Total Operating Expenses	406,382	270,407	2,950	679,739
Operating Income (Loss)	93,271	(18,704)	(2,435)	72,132
Non-Operating Revenues (Expenses):				
Operating Grants	583	2,052	-	2,635
Passenger Facility Charges	-	61,255	-	61,255
Interest Income	21,252	1,568	79	22,899
Net Pension Obligation	(7,401)	(3,737)	-	(11,138)
Debt Service - Interest	(100,254)	(52,085)	-	(152,339)
Other Revenue (Expenses)	(16,741)	3,380	-	(13,361)
Total Non-Operating Revenues (Expenses)	(102,561)	12,433	79	(90,049)
Income (Loss) Before Contributions & Transfers	(9,290)	(6,271)	(2,356)	(17,917)
Transfers In/(Out)	(4,185)	-	-	(4,185)
Capital Contributions	-	44,743	-	44,743
Change in Net Assets	(13,475)	38,472	(2,356)	22,641
Net Assets - July 1, 2008	722,606	759,339	20,187	1,502,132
Adjustment	6,765	-	-	6,765
Net Assets Adjusted - July 1, 2008	729,371	759,339	20,187	1,508,897
Net Assets - June 30, 2009	715,896	797,811	17,831	1,531,538

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, 2009

Exhibit VIII

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	492,875	256,312	1,075	750,262
Payments to Suppliers	(122,952)	(78,763)	(955)	(202,670)
Payments to Employees	(190,137)	(100,106)	-	(290,243)
Internal Activity-Payments to Other Funds	-	(5,380)	-	(5,380)
Claims Paid	(5,100)	-	-	(5,100)
Other Receipts (Payments)	-	313	-	313
Net Cash Provided (Used)	<u>174,686</u>	<u>72,376</u>	<u>120</u>	<u>247,182</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	583	1,934	-	2,517
Operating Subsidies and Transfers from Other Funds	(4,185)	-	-	(4,185)
Net Cash Provided (Used)	<u>(3,602)</u>	<u>1,934</u>	<u>-</u>	<u>(1,668)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	133,039	44,290	-	177,329
Contributions Received	-	40,040	-	40,040
Acquisition and Construction of Capital Assets	(100,009)	(178,441)	-	(278,450)
Interest Paid on Debt Instruments	(92,719)	(71,964)	-	(164,683)
Principal Paid on Debt Instruments	(91,534)	(77,305)	-	(168,839)
Passenger Facility Charges	-	60,899	-	60,899
Net Cash Provided (Used)	<u>(151,223)</u>	<u>(182,481)</u>	<u>-</u>	<u>(333,704)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	119	-	119
Interest and Dividends on Investments	18,626	16,848	86	35,560
Net Cash Provided (Used)	<u>18,626</u>	<u>16,967</u>	<u>86</u>	<u>35,679</u>
Net Increase (Decrease) in Cash and Cash Equivalents	38,487	(91,204)	206	(52,511)
Cash and Cash Equivalents, July 1 (including \$344.6 mil for Water & Sewer and \$454.4 mil for Aviation reported in restricted accounts)	<u>395,692</u>	<u>557,439</u>	<u>4,253</u>	<u>957,384</u>
Cash and Cash Equivalents, June 30 (including \$377.7 mil for Water & Sewer and \$364.1 mil for Aviation reported in restricted accounts)	<u>434,179</u>	<u>466,235</u>	<u>4,459</u>	<u>904,873</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	93,271	(18,704)	(2,435)	72,132
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	83,996	82,156	-	166,152
Changes in Assets and Liabilities:				
Receivables, Net	(6,533)	969	925	(4,639)
Deferred Revenue	(245)	4,814	1,630	6,199
Inventories	2,608	(28)	-	2,580
Accounts and Other Payables	1,589	3,169	-	4,758
Net Cash Provided by Operating Activities	<u>174,686</u>	<u>72,376</u>	<u>120</u>	<u>247,182</u>

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

City of Philadelphia
Statement of Net Assets
Fiduciary Funds
June 30, 2009

Exhibit IX

Amounts in thousands of USD

	Pension Trust <u>Funds</u>	Agency <u>Funds</u>
<u>Assets</u>		
Cash on Deposit and on Hand	-	130,990
Equity in Treasurer's Account	3,762,024	21,912
Investments	-	12,254
Securities Lending Collective Investment Pool	420,344	-
Allowance for Unrealized Loss	(20,582)	-
Accounts Receivable	12,127	-
Due from Brokers for Securities Sold	732,359	-
Interest and Dividends Receivable	9,434	-
Due from Other Governmental Units	4,757	-
Due from Other Funds	-	811
	<hr/>	<hr/>
Total Assets	4,920,463	165,967
<u>Liabilities</u>		
Vouchers Payable	20	537
Accounts Payable	3,577	-
Salaries and Wages Payable	152	-
Payroll Taxes Payable	-	5,247
Funds Held in Escrow	373	160,183
Due on Return of Securities Loaned	432,690	-
Due to Brokers for Securities Purchased	767,046	-
Accrued Expenses	1,621	-
Deferred Revenue	2,645	-
Other Liabilities	564	-
	<hr/>	<hr/>
Total Liabilities	1,208,688	165,967
	<hr/>	<hr/>
Net Assets Held in Trust for Pension Benefits	3,711,775	-

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

City of Philadelphia
Statement of Changes in Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

Exhibit X

Amounts in thousands of USD

	Pension Trust Funds
<u>Additions:</u>	
Contributions:	
Employers' Contributions	470,826
Employees' Contributions	<u>54,023</u>
Total Contributions	<u>524,849</u>
Investment Income:	
Interest and Dividends	90,317
Net Decline in Fair Value of Investments	(1,000,119)
(Less) Investments Expenses	(14,483)
Securities Lending Revenue	12,432
Securities Lending Unrealized Loss	(20,582)
(Less) Securities Lending Expenses	<u>(6,683)</u>
Net Investment Loss	<u>(939,118)</u>
Miscellaneous Operating Revenues	1,015
Total Reductions	<u>(413,254)</u>
<u>Deductions</u>	
Personal Services	3,795
Purchase of Services	2,147
Materials and Supplies	89
Employee Benefits	36,060
Pension Benefits	681,087
Refunds of Members' Contributions	4,786
Other Operating Expenses	<u>154</u>
Total Deductions	<u>728,118</u>
Change in Net Assets	(1,141,372)
Net Assets - July 1, 2008	<u>4,853,147</u>
Net Assets - June 30, 2009	<u><u>3,711,775</u></u>

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

City of Philadelphia
Statement of Net Assets
Component Units
June 30, 2009

Exhibit XI

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Pennsylvania Convention Center Authority	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Assets										
Cash on Deposit and on Hand	49,332	87,731	68,003	936	10,108	21,609	24,669	7,014	7,994	277,396
Equity in Pooled Cash and Investments	-	-	-	159,383	-	-	-	-	-	159,383
Investments	-	-	96,073	-	36,461	-	32,738	187	-	165,459
Due from Primary Government	-	10,147	-	-	-	75,663	2,563	-	-	88,373
Amounts Held by Fiscal Agent	6	-	-	71,597	-	-	-	-	-	71,603
Notes Receivable	-	36,977	-	-	136	-	-	-	-	37,113
Taxes Receivable	-	-	-	140,344	-	-	-	-	-	140,344
Accounts Receivable-Net	99,304	918	897	12,507	3,892	1,564	75	2,540	22,680	144,377
Interest and Dividends Receivable	-	13,290	366	2,248	107	-	1,029	-	-	17,040
Due from Other Governments	-	311	-	69,948	1,348	-	-	-	21,605	93,212
Inventories	187,539	18,635	-	2,587	-	-	-	-	-	208,761
Other Assets	116,551	651	4,994	137,479	734	507	3,532	84	-	264,532
Restricted Assets:										
Cash and Cash Equivalents	46,319	10,220	-	190,412	69,275	-	-	-	20,493	336,719
Other Assets	173,469	29,868	-	-	-	-	-	-	25,438	228,775
Capital Assets:										
Land and Other Non-Depreciated Assets	52,564	479	16,000	514,557	32,040	-	172,540	4,649	4,841	797,670
Other Capital Assets (Net of Depreciation)	1,009,531	1,387	193,641	1,378,226	75,970	1,077	205,457	6,116	68,552	2,939,957
Total Capital Assets	1,062,095	1,866	209,641	1,892,783	108,010	1,077	377,997	10,765	73,393	3,737,627
Total Assets	1,734,615	210,614	379,974	2,680,224	230,071	100,420	442,603	20,590	171,603	5,970,714
Liabilities										
Notes Payable	90,000	23,140	17,858	-	110,144	-	-	-	-	241,142
Vouchers Payable	67,508	-	-	-	8,785	-	-	-	-	76,293
Accounts Payable	-	11,095	14,940	121,747	-	1,114	45,355	1,239	4,055	199,545
Salaries and Wages Payable	3,430	-	-	43,867	4,578	7,532	898	-	-	60,305
Accrued Expenses	107,484	1,748	2,484	-	1,836	80,574	3,450	744	-	198,320
Funds Held in Escrow	-	12,290	-	-	99	-	-	-	1,386	13,775
Due to Other Governments	-	-	4,718	4,657	3,529	-	-	-	12,160	25,064
Due to Primary Government	-	1,500	45,012	-	-	-	1,272	-	13,747	61,531
Deferred Revenue	31,641	59,790	2,896	60,975	2,835	11,200	1,029	6,456	35,420	212,242
Overpayment of Taxes	-	-	-	10,112	-	-	-	-	-	10,112
Other Current Liabilities	-	-	-	60,680	-	-	-	44	-	60,724
Non-Current Liabilities:										
Due within one year	73,942	1,894	7,505	206,129	1,399	-	14,165	-	-	305,034
Due in more than one year	1,134,202	32,236	201,326	3,356,023	15,188	-	180,207	2,408	33,100	4,954,690
Total Liabilities	1,508,207	143,693	296,739	3,864,190	148,393	100,420	246,376	10,891	99,868	6,418,777
Net Assets										
Invested in Capital Assets, Net of Related Debt	(4,466)	1,865	53,200	20,993	60,947	-	-	-	61,233	193,772
Restricted For:										
Capital Projects	-	-	8,170	-	965	-	-	-	-	9,135
Debt Service	108,581	10,482	-	71,650	-	-	-	-	-	190,713
Educational Programs	-	-	-	6,230	4,226	-	-	-	-	10,456
Grant Programs	-	-	-	-	-	-	-	-	12,831	12,831
Other	-	-	-	4,286	-	-	196,227	-	-	200,513
Unrestricted	122,293	54,574	21,865	(1,287,125)	15,540	-	-	9,699	(2,329)	(1,065,483)
Total Net Assets	226,408	66,921	83,235	(1,183,966)	81,678	-	196,227	9,699	71,735	(448,063)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2008. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2008. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2009.

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

City of Philadelphia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2009

Exhibit XII

Amounts in thousands of USD

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets										Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Convention Center Authority	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*		
Gas Operations															
Gas Works	862,252	840,035	25,324	-	3,107									3,107	
Housing															
Redevelopment Authority	68,560	635	67,218	-		(707)								(707)	
Parking															
Parking Authority	209,819	210,429	-	-				610						610	
Education															
School District	2,778,830	9,907	976,719	500			(1,791,704)							(1,791,704)	
Community College	135,081	32,989	41,071	-				(61,021)						(61,021)	
Total	2,913,911	42,896	1,017,790	500											
Health															
Community Behavioral Health	733,096	-	732,329	-					(767)					(767)	
Economic Development															
Convention Center Authority	51,295	9,374	42,388	134,084						134,551				134,551	
Delaware River Waterfront Corp.	9,786	7,151	2,089	-							(546)			(546)	
Authority for Ind. Development	121,632	24,136	75,279	-								(22,217)		(22,217)	
Total	182,713	40,661	119,756	134,084											
Total Component Units	4,970,351	1,134,656	1,962,417	134,584										(1,738,694)	
General Revenues:															
Property Taxes	-	-	-	-	-	-	604,962	-	-	-	-	-	-	604,962	
Other Taxes	-	-	-	-	-	-	179,566	-	-	-	-	-	-	179,566	
Grants & Contributions Not Restricted to Specific Programs	-	-	-	-	-	-	1,025,214	64,460	-	-	-	-	-	1,089,674	
Unrestricted Interest & Investment Earnings	-	1,914	5,163	-	-	1,914	-	(839)	767	1,244	96	556	-	8,901	
Miscellaneous	-	-	-	-	-	-	-	1,643	-	-	-	-	-	1,643	
Special Item-Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	1,470	1,470	
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	13,619	13,619	
Total General Revenues, Special Items and Transfers	-	1,914	5,163	-	-	1,914	1,809,742	65,264	767	1,244	96	15,645	-	1,899,835	
Change in Net Assets	3,107	1,207	5,773	-	3,107	1,207	5,773	18,038	4,243	-	135,795	(450)	(6,572)	161,141	
Net Assets - July 1, 2008	223,301	65,714	78,911	-	223,301	65,714	78,911	(1,200,636)	77,435	-	60,432	10,149	78,307	(606,387)	
Adjustment	-	-	(1,449)	-	-	-	(1,449)	(1,368)	-	-	-	-	-	(2,817)	
Net Assets Adjusted - July 1, 2008	223,301	65,714	77,462	-	223,301	65,714	77,462	(1,202,004)	77,435	-	60,432	10,149	78,307	(609,204)	
Net Assets - June 30, 2009	226,408	66,921	83,235	-	226,408	66,921	83,235	(1,183,966)	81,678	-	196,227	9,699	71,735	(448,063)	

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2008. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2008. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2009.

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



Notes to the Financial Statements
FYE 06/30/2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Philadelphia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. REPORTING ENTITY

The City of Philadelphia was founded in 1682 and was merged with the county in 1854. Since 1951 the City has been governed largely under the Philadelphia Home Rule Charter. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania.

As required by GAAP, the financial statements of the City of Philadelphia include those of the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The financial statements of these component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. Based on the criteria established by Governmental Accounting Standards Board Statement (GASBS) #14 as amended by GASBS #39, certain other organizations also did meet the criteria for inclusion, however they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. **Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.**

As used both on the face of the financial statements and in the footnotes, the term "Primary Government" includes both City funds and Blended Component Units while the term "Component Units" includes only Discretely Presented Component Units.

A. BLENDED COMPONENT UNITS

Pennsylvania Intergovernmental Cooperation Authority (PICA) – 1500 Walnut St., Philadelphia, PA 19102

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

Philadelphia Municipal Authority (PMA) – 1515 Arch St., Philadelphia, PA 19102

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

B. DISCRETELY PRESENTED COMPONENT UNITS

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

Community College of Philadelphia (CCP) – 1700 Spring Garden St., Philadelphia, PA 19130

CCP was established by the City to provide two year post-secondary education programs for its residents. It is governed by a Board appointed by the City, receives substantial subsidies from the City, and its budgets must be submitted to the City for review and approval.

Delaware River Waterfront Corp. (DRWC) – 121 N. Columbus Blvd., Philadelphia, PA 19106

In January 2009, the board of the Penn's Landing Corporation was dissolved and replaced with the DRWC. The new 16 member board, is headed by the Mayors' Deputy Director for Economic Development and Planning, and is comprised of appointed City officials and private sector experts in design, finance, and real estate development. The new group will focus on the development of the seven-mile stretch of water front property between Allegheny and Oregon Avenues.

Pennsylvania Convention Center Authority (PCCA) – 1101 Arch St., Philadelphia, PA 19107

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

Philadelphia Parking Authority (PPA) – 3101 Market St., Philadelphia, PA 19104

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

Redevelopment Authority of the City of Philadelphia (RDA) – 1234 Market St., Philadelphia, PA 19107

RDA was established to rehabilitate blighted sections of the City. It is governed by a five-member board appointed by the City and must submit its budgets to the City for review and approval.

School District of Philadelphia (SDP) – 440 N. Broad St., Philadelphia, PA 19130

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

Community Behavioral Health (CBH) – 801 Market St., Philadelphia, PA 19107

CBH is a not-for-profit organization established by the City's Department of Public Health to provide for and administer all behavioral health services required by the Commonwealth of Pennsylvania. Its board is made up of City officials and City appointees. Any change in funding would present a financial burden to the City.

Philadelphia Authority for Industrial Development (PAID) – 2600 Centre Sq. West, Philadelphia, PA 19102

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

Philadelphia Gas Works (PGW) – 800 W. Montgomery Ave., Philadelphia, PA 19122

PGW was established by the City to provide gas service to residential and commercial customers within the City of Philadelphia. The City appoints a voting majority of PGW's board and has the ability to modify or approve their budget.

C. AUDIT RESPONSIBILITY

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

	Governmental Activities	Business-type Activities	Aggregate Discretely Presented Component Units	Major Funds	Aggregate Remaining Fund Information
Total Assets	9%	0%	55%	0%	92%
Total Revenues	7%	0%	46%	0%	82%

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's *government wide* financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* which are normally supported by taxes and intergovernmental revenues are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Interfund activity and balances have been eliminated from the statements to avoid duplication.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include: (1) charges to customers or applicants who purchase, use or directly benefit from services or privileges provided by a given program and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate *fund* financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the *government wide* financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the *fund* financial statements.

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

The *government wide* financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (except agency funds which only report assets and liabilities and cannot be said to have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business privilege, and net profits and earnings taxes are recognized when the underlying exchange transaction has taken place. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports on the following fiduciary funds:

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

The City reports the following major proprietary funds:

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

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

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

B. COMPONENT UNITS

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

The financial statements of the Community College of Philadelphia have been prepared in accordance with GASBS #35 - Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities. The remaining component units prepare their financial statements in a manner similar to that of proprietary funds.

4. DEPOSITS AND INVESTMENTS

The City utilizes a pooled Cash and Investments Account to provide efficient management of the cash of most City funds. In addition, separate cash accounts are maintained by various funds due to either legal requirements or operational needs. For Proprietary and Permanent Funds, all highly liquid investments (except for Repurchase Agreements) with a maturity of three months or less when purchased are considered to be cash equivalents.

The City reports investments at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments which do not have an established market are reported at estimated fair value.

Statutes authorize the City to invest in obligations of the Treasury, agencies, and instruments of the United States, repurchase agreements, collateralized certificates of deposit, bank acceptance or mortgage obligations, certain corporate bonds, and money market funds. The Pension Trust Fund is also authorized to invest in corporate bonds rated AA or better by Moody's Bond Ratings, common stocks and real estate.

From February to early June, deposits of the City significantly exceeded the amounts reported at year end. This was due to cyclical tax collections (billings for taxes are mailed in January and payable in March).

5. INVENTORIES

A. PRIMARY GOVERNMENT

Supplies of governmental funds are recorded as expenditures when purchased rather than capitalized as inventory. Accordingly, inventories for governmental funds are shown on the Statement of Net Assets but not on the Governmental Funds Balance Sheet. Inventories of proprietary funds are valued at moving average cost except for the following:

- **Industrial and Commercial Development Fund** inventory represents real estate held for resale and is valued at cost.

B. COMPONENT UNITS

All inventories are valued at moving average cost except for the following:

- **PGW** inventory consists primarily of fuel stock and gases which are stated at average cost.
- The **SDP** Food Services Fund inventories include food donated by the Federal Government which was valued at government cost or estimated value. All other food or supply inventories were valued at last unit cost and will be expensed when used.
- **RDA** inventory represents real estate held for resale and is recorded based on the estimated appraisal of values and cost basis of land inventories acquired.

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

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

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

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

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

In *governmental fund* financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

8. INSURANCE

The City, except for the Airport and certain other properties, is self-insured for most fire and casualty losses to its structures and equipment and provides statutory worker's compensation, unemployment benefits, and health and welfare to its employees through a self-insured plan.

9. RECEIVABLE AND PAYABLES

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

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for un-collectibles. The real estate tax receivable allowance is equal to 43.8% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes, levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. Current real estate rates are \$8.264 on each \$100 assessment; \$4.959 for the SDP and \$3.305 for the City. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED REVENUES

A. PRIMARY GOVERNMENT

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

B. COMPONENT UNITS

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

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

11. COMPENSATED ABSENCES

It is the City's policy to allow employees to accumulate earned but unused vacation benefits. Vacation pay is accrued when earned in the *government-wide* financial statements and in the proprietary and fiduciary-*fund* financial statements. Sick leave balances are not accrued in the financial statements because sick leave rights are non-vesting.

12. CLAIMS AND JUDGMENTS

Pending claims and judgments are recorded as expenses in the *government wide* financial statements and in the proprietary and fiduciary fund financial statements when the City solicitor has deemed that a probable loss to the City has occurred. Claims and judgments are recorded as expenditures in the government fund financial statements when paid or when judgments have been rendered against the City.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

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

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the carrying amount (book balance) of deposits for the City and the bank balances were \$363.6 million and \$361.3 million respectively. All of the collateralized securities were held in the City's name except for \$89.8 million which was collateralized but held in the pledging institutions name.

Investments

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

As of June 30, 2009 the City's Investments consisted of:

(amounts in thousands of USD)	Primary Government	
	Fair Value	% of Total
U.S. Government Securities	461,444	7.9%
U.S. Government Agency Securities	943,736	16.2%
Corporate Bonds	333,976	5.7%
Corporate Equity	2,907,634	50.0%
Commercial Paper	211,763	3.6%
Collateralized Mortgage Obligations	101,254	1.7%
Other Bonds and Investments	46,826	0.8%
Short Term Investment Pools	367,553	6.3%
Real Estate	14,029	0.2%
Financial Agreements	406,373	7.0%
Certificates of Deposit	15,247	0.3%
	<u>5,809,835</u>	

City excluding Pension Trust Funds

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

(amounts in thousands of USD)

	<u>Fair Value</u>			
	Maturity :	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>More than 3 years</u>
Short Term Investment Pools		207,630	-	-
U.S. Government Securities		400,108	37,281	-
U. S. Government Agency Securities		447,154	180,517	3,405
Corporate Bonds		50,062	59,612	-
Corporate Equity		2,646	-	-
Collateralized Mortgage Obligations		4,927	-	-
Commercial Paper		211,763	-	-
Repurchase Agreements		10,659	-	-
Certificates of Deposit		5,000	10,247	-
		<u>1,339,949</u>	<u>287,657</u>	<u>3,405</u>

Credit Risk: The City's credit risk is limited by investing in US Government securities (7.8%) or US Government Agency obligations (15.29%). The US Government Agency obligations must be rated AAA by Standard & Poor's Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (3.43%) must be rated A1 by Standard & Poor's Corp. (S&P) and/or M1G1 by Moody's Investor's Services, Inc (Moody's) and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. Commercial Paper is also limited to 25% of the portfolio. All commercial paper investments meet the criteria. Of the corporate bonds held by the City, 88.0% had a Standard & Poor's rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools). Short Term Investment Pools are rated AAAM by Standard & Poor's Corp and Aaa by Moody's Investor Services. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has assets of not less than \$100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year, the City did not have any investments of that nature.

Municipal Pension Fund

Credit Risk: Currently, the Municipal Pension Fund owns approximately 64.9% of all investments and is invested primarily in equity securities (70.8%). The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Municipal Pension fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 74% had Standard & Poor ratings of AAA to A and 71% had Moody's rating of Aaa to A1.

The investments are held by the managers in the Pension Fund's name. The investments are diversified with only the investment in the Lehman Aggregated Pooled Index Fund exceeding 5% of the total investment (10.8%). The fair value of the investment in the Lehman Aggregated Pooled Index Fund was \$369.1 million at fiscal year end. The fund's exposure to foreign currency risk derives from its position in foreign currency-denominated equity securities and fixed income investments. The foreign currency investment in equity securities is 23.8% of the total investment in equities.

Municipal Pension Fund
Equity Securities subject to Foreign Currency Risk

<u>Currency</u>	<u>Fair Value</u>	
	(thousands of USD)	
Euro Currency	141,371	24.96%
Japanese Yen	95,319	16.83%
Pound Sterling	82,159	14.51%
Australian Dollar	36,460	6.44%
All others	<u>210,968</u>	37.26%
	<u><u>566,277</u></u>	

Fixed Income Securities and Other Investments subject to Foreign Currency Risk

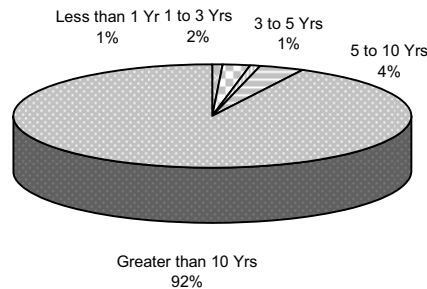
	<u>Currency</u>	<u>Fair Value</u>	<u>Maturities</u>
		(thousands of USD)	
Currency	Euro	12,584	
Currency	Japanese Yen	1,169	
Currency	All others	31,437	
Government Issues	Euro	5,622	June 14, 2011
Government Issues	Canadian Dollar	5,530	December 01, 2031
Limited Partnership Units	Euro	32,419	
Real Estate Investment Trusts	Pounds Sterling	294	
Real Estate Investment Trusts	All others	<u>355</u>	
		<u><u>89,410</u></u>	

Statutes permit the Municipal Pension Fund to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Pension Fund has contracted with a third-party securities lending agent to lend the Pension fund's securities portfolio. The agent lends securities of the type on loan at June 30 for collateral in the form of cash or other securities at 102% of the loaned securities market value plus accrued interest. The collateral for the loans is maintained at greater than 100%. Securities on loan as of June 30 are unclassified with regards to custodial credit risk.

At June 30, the Pension Fund has no credit risk exposure to borrowers because the amounts the Pension Fund owes the borrowers exceed the amounts the borrowers owe to the Pension Fund. The agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent), or fail to pay income distributions on them. All open securities loans can be terminated on demand by either the Pension Fund or the borrower. All term securities loans can be terminated with five days notice by either the Pension fund or the borrower. Cash collateral is invested in accordance with the investment guidelines of the Pension Fund. The Pension fund cannot pledge or sell collateral securities received unless the borrower defaults.

This chart details the exposure to interest rate changes based on maturity dates of the fixed income securities:

Municipal Pension Fund Exposure to Credit Risk



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the PGWRR owns approximately 5.91% of all investments and is primarily invested in equity securities (55.17%). The long-term goals of the fund are to manage the assets to produce investment results which meet the Fund’s actuarially assumed rate of return and protect the assets from any erosion of inflation adjusted value. The fund’s resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the PGWRR is charged with reviewing the portfolios for compliance with those objectives and guidelines. To protect against credit risk, the fund requires that all domestic bonds must be rated investment grade by at least two ratings agencies (Standard & Poor’s, Moody’s or Fitch). The portfolio managers’ Average Credit Quality ranges from AAA to AA.

The PGWRR’s fixed income investments are as follows:

(thousands of USD)	Maturity length				
	less than 1 yr.	1-3 yrs	3-5 yrs	5-10 yrs	more than 10 yrs
Investment Type					
Short-Term Investment Pools	5,543	-	-	-	-
U.S. Government Agency Securities	-	-	2,212	624	7,212
U.S. Government Securities	-	2,141	2,033	4,948	1,045
MTG Pass Thrus	-	-	-	365	9,502
Collateralized Mortgage Obligations	-	-	298	293	18,747
Municipal Securities	-	-	91	167	807
Asset Backed Securities	-	-	1,180	2,003	4,396
Corporate bonds	439	1,517	10,513	17,676	23,289
	<u>5,982</u>	<u>3,658</u>	<u>16,327</u>	<u>26,076</u>	<u>64,998</u>

Blended Component Units

A. PICA

The Authority may deposit funds in any bank that is insured by federal deposit insurance. To the extent that the deposits exceed federal insurance, the banks must deposit (with their trust department or other custodian) obligations of the US Government, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Investments must be made in accordance with a trust indenture that restricts investments to obligations of the City of Philadelphia, government obligations, repurchase agreements collateralized by direct obligations of or obligations the payments of principal and interest on which are unconditionally guaranteed as to full and timely payment by the United States of America, money market mutual fund shares issued by a fund having assets not less than \$100,000,000 or guaranteed investment contracts (GIC) with a bank insurance company or other financial institution that is rated in one of the three highest rating categories by the rating agencies and which GICs are either insured by municipal bond insurance or fully collateralized at all times.

At June 30, the carrying amount of **PICA**'s deposits with financial institutions (including certificates of deposit and shares in US government money market funds) was \$101.8 million. Statement balances were insured or collateralized as follows:

	(thousands of USD)	
Insured		12,075
Uninsured and uncollateralized		<u>89,822</u>
		<u><u>101,897</u></u>

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds. **PICA** has \$52,706,909 of other investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in **PICA**'s name.

B. PHILADELPHIA MUNICIPAL AUTHORITY

The authority does not have a formally adopted investment policy; however, the terms of their bond indentures limit the investments in which the trustee can deposit funds. These limited investments include US government obligations, repurchase agreements for government obligations, certificates of deposits and other time deposit arrangements with financial institutions. Investments at June 30 are summarized as follows:

	(thousands of USD)	<u>Fair Value</u>	<u>Cost</u>
Money Market Funds		95,465	95,465
U S Government Securities		415	415
Certificates of Deposit		<u>100</u>	<u>100</u>
		<u><u>95,980</u></u>	<u><u>95,980</u></u>

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

The Authority does not have a formally adopted investment policy related to credit risk, but generally follows the practices of the City. As of June 30, the Authority's investment in money market funds were rated AAA by S&P and the Authority's investments in government securities were not rated. Depository cash accounts consisted of \$479,912 on deposit with a local bank. Amounts are insured by the FDIC up to \$250,000. Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

2. SECURITIES LENDING

The Board of Directors of the Municipal Pension Fund (Pension Fund) and the Sinking Fund Commission (on behalf of the Philadelphia Gas Works Retirement Reserve Fund (PGWRR)) have each authorized management of the respective funds to participate in securities lending transactions. Each fund has entered into a Securities Lending Agreement with its custodian bank to lend its securities to broker-dealers.

- **The Pension Fund** lends US Government and US Government Agency securities, domestic and international equity securities and international fixed income securities and receives cash and securities issued or guaranteed by the federal government as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be at least 102% (in some cases 105%) of the underlying value of loaned securities. The Pension fund has no restriction on the amount of securities that can be lent. The Pension Fund's custodian bank indemnifies the Fund by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return securities or pay distributions thereon. The maturity of investments made with cash collateral generally did not match the maturity of securities loaned during the year or at year-end. The Pension Fund experienced \$20.6 million in unrealized losses from securities transactions during the year and had no credit risk exposure at June 30.
- The **PGWRR** lends US Treasury, federal agency, and DTC-eligible corporate debt and equity securities and receives cash, US Treasury and federal agency securities and letters of credit as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be 102% of the total of the market value of loaned securities plus any accrued interest. The **PGWRR** placed no restrictions on the amount of securities that could be lent. The **PGWRR's** custodian bank does not indemnify the **PGWRR** in the event of a borrower default except in cases involving gross negligence or willful misconduct on the custodian's part. Maturity of investments made with cash collateral is generally matched with maturity of loans. The **PGWRR** experienced no losses and had no credit risk exposure at June 30.

3. AMOUNTS HELD BY FISCAL AGENT

Two of the City's component units (**PAID** and **RDA**) have issued debt that, in accordance with GASB Interpretation #2, is considered conduit debt. Therefore, no asset related to the bond proceeds or liability related to the bonds is shown on their respective financial statements. However, since the City, through various agreements is responsible for the debt, the proceeds of the issuance are shown as assets of the City.

A. GOVERNMENTAL FUNDS

General Fund - Consists of cash and investment balances related to the net proceeds of **PAID's** Sports Stadium Financing Lease Revenue Bonds Series A & B of 2007, **PAID's** Central Library Project Financing Lease Revenue Bonds Series 2005 and **PAID's** Cultural and Commercial Corridor Lease Revenue Bonds Series 2006.

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

B. PROPRIETARY FUNDS

Aviation Fund - cash and investment balances related to the net proceeds of **PAID's** Airport Revenue Bonds, Series 1998A and 2001A. The proceeds are held by a fiscal agent and disbursed at the City's direction to pay for airport related capital improvements.

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

Interfund receivable and payable balances among Primary Government funds at year-end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All balances are expected to be settled during the subsequent year. Interfund receivable and payable balances within the Primary Government at year-end are as follows:

(Amounts in Thousands of USD)

	<u>Interfund Receivables Due to:</u>				<u>Total</u>
	<u>General</u>	<u>Non major Governmental</u>		<u>Other Funds</u>	
		<u>Special Revenue</u>	<u>Debt Service</u>		
<u>Interfund Payables Due From:</u>					
General	-	-	-	799	799
Non major Special Revenue Funds	18,434	-	4,450	12	22,896
Non major Debt Service Funds	-	167	-	-	167
Total	<u>18,434</u>	<u>167</u>	<u>4,450</u>	<u>811</u>	<u>23,862</u>

B. COMPONENT UNITS

Interfund receivables and payables between the Primary Government and its Component Units at year-end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All interfund balances are expected to be settled during the subsequent year. Interfund receivable and payable balances among the Primary Government and Component Units at year-end are as follows:

(Amounts in Thousands of USD)

	<u>Receivables Due to:</u>						<u>Total</u>
	<u>General</u>	<u>Airport</u>	<u>PCCA</u>	<u>CBH</u>	<u>RDA</u>	<u>Timing Difference</u>	
<u>Payables Due From:</u>							
Behavioral Health	-	-	-	56,118	-	-	56,118
Grants Revenue	-	-	-	-	4,025	-	4,025
Non-major Funds	-	-	2,563	-	1,587	-	4,150
PGW	-	-	-	-	-	-	-
PPA	9,525	29,904	-	-	-	5,583	45,012
PCCA	1,272	-	-	-	-	-	1,272
PAID	13,747	-	-	-	-	-	13,747
Timing Difference	(13,747)	(29,904)	-	19,545	4,535	-	(19,571)
Total	<u>10,797</u>	<u>-</u>	<u>2,563</u>	<u>75,663</u>	<u>10,147</u>	<u>5,583</u>	<u>104,753</u>

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

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

(Amounts In Millions of USD)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	750	4	(1)	753
Fine Arts	1	-	-	1
Construction In Process	5	10	(5)	10
Total capital assets not being depreciated	<u>756</u>	<u>14</u>	<u>(6)</u>	<u>764</u>
<u>Capital assets being depreciated:</u>				
Buildings	1,755	32	(20)	1,767
Other Improvements	283	6	(2)	287
Equipment	465	30	(23)	472
Infrastructure	1,188	66	(2)	1,252
Transit	292	-	-	292
Total capital assets being depreciated	<u>3,983</u>	<u>134</u>	<u>(47)</u>	<u>4,070</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(986)	(58)	16	(1,028)
Other Improvements	(184)	(8)	1	(191)
Equipment	(349)	(28)	14	(363)
Infrastructure	(848)	(51)	-	(899)
Transit	(189)	(7)	-	(196)
Total accumulated depreciation	<u>(2,556)</u>	<u>(152)</u>	<u>31</u>	<u>(2,677)</u>
Total capital assets being depreciated, net	<u>1,427</u>	<u>(18)</u>	<u>(16)</u>	<u>1,393</u>
Governmental activities capital assets, net	<u>2,183</u>	<u>(4)</u>	<u>(22)</u>	<u>2,157</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
<u>Capital assets not being depreciated:</u>				
Land	94	-	-	94
Construction In Process	214	297	(211)	300
Total capital assets not being depreciated	<u>308</u>	<u>297</u>	<u>(211)</u>	<u>394</u>
<u>Capital assets being depreciated:</u>				
Buildings	2,921	102	(73)	2,951
Other Improvements	236	12	-	248
Equipment	109	23	(19)	113
Infrastructure	2,375	103	(4)	2,473
Total capital assets being depreciated	<u>5,641</u>	<u>240</u>	<u>(96)</u>	<u>5,785</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(1,340)	(86)	57	(1,369)
Other Improvements	(117)	(9)	-	(126)
Equipment	(79)	(8)	3	(84)
Infrastructure	(1,219)	(63)	4	(1,278)
Total accumulated depreciation	<u>(2,754)</u>	<u>(166)</u>	<u>64</u>	<u>(2,856)</u>
Total capital assets being depreciated, net	<u>2,887</u>	<u>74</u>	<u>(32)</u>	<u>2,928</u>
Business-type activities capital assets, net	<u>3,195</u>	<u>371</u>	<u>(243)</u>	<u>3,323</u>

The Water Department has negotiated a long term contract with a vendor for the operation of a thermal drying facility to handle all of the sludge produced by the Water Department operations. The vendor will convert the sludge into pellets which can be used as fertilizer and has potential as a fuel. The Water Department then discontinued composting operations and retired a total of \$40.5 million of equipment and facilities relating to those operations. The result of the write off of the equipment and facilities is included with Other Non Operating Expenses in the Water Fund.

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

(Amounts in Thousands of USD)

Governmental Activities:

Economic Development	3,517
Transportation:	
Streets & Highways	33,395
Mass Transit	26,664
Judiciary and Law Enforcement:	
Police	7,855
Prisons	6,252
Courts	622
Conservation of Health:	
Health Services	2,328
Housing and Neighborhood Development	6
Cultural and Recreational:	
Recreation	10,803
Parks	9,340
Libraries and Museums	2,816
Improvements to General Welfare:	
Social Services	(12,371)
Inspections and Demolitions	(424)
Service to Property:	
Fire	5,101
General Management & Support	<u>30,814</u>
Total Governmental Activities	<u><u>126,718</u></u>

Business Type Activities:

Water and Sewer	83,996
Aviation	<u>82,157</u>
Total Business Type Activities	<u><u>166,153</u></u>

B. DISCRETELY PRESENTED COMPONENT UNITS

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

(Amounts In Millions of USD)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	114	6	(1)	119
Art	8	-	-	8
Construction In Process	525	104	(241)	388
Total capital assets not being depreciated	647	110	(242)	515
<u>Capital assets being depreciated:</u>				
Buildings	1,160	237	(4)	1,392
Other Improvements	908	69	(3)	975
Equipment	245	37	(16)	267
Infrastructure	1	-	-	1
Total capital assets being depreciated	2,314	343	(22)	2,635
<u>Less accumulated depreciation for:</u>				
Buildings	(511)	(23)	4	(531)
Other Improvements	(505)	(48)	2	(551)
Equipment	(165)	(24)	15	(174)
Infrastructure	(1)	-	-	(1)
Total accumulated depreciation	(1,182)	(95)	20	(1,257)
Total capital assets being depreciated, net	1,132	249	(2)	1,378
Capital assets, net	1,779	359	(244)	1,893
Business-type activities:				
<u>Capital assets not being depreciated:</u>				
Land	31	3	-	34
Fine Arts	5	-	-	5
Construction In Process	83	222	(71)	234
Total capital assets not being depreciated	119	225	(71)	273
<u>Capital assets being depreciated:</u>				
Buildings	883	19	(1)	901
Other Improvements	33	3	-	36
Equipment	371	10	(9)	372
Infrastructure	1,279	54	4	1,337
Total capital assets being depreciated	2,566	86	(7)	2,646
<u>Less accumulated depreciation for:</u>				
Buildings	(331)	(23)	2	(352)
Other Improvements	(27)	(4)	-	(31)
Equipment	(97)	(15)	7	(105)
Infrastructure	(559)	(29)	3	(585)
Total accumulated depreciation	(1,014)	(71)	12	(1,073)
Total capital assets being depreciated, net	1,552	15	5	1,573
Capital assets, net	1,672	240	(66)	1,846

6. NOTES PAYABLE

PGW, pursuant to the provisions of certain ordinances and Resolutions, may sell short-term notes in a principal amount which, together with the interest thereon, will not exceed \$200 million outstanding at any one time. These notes are intended to provide additional working capital. They are supported by an irrevocable letter of credit and a subordinated security interest in the **PGW**'s revenues. The notes outstanding at year-end (August 31, 2008) had an average weighted interest rate of approximately 1.63% and terms to maturity of 61 days. The principal amount outstanding was \$90.0 million.

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

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 4,370,304
2011	2,000,000
2012	-
2013	-
2014	-
2015-2019	4,922,956
2020-2024	8,897,000
2025-2029	1,000,000
2030-2034	-
2035-2036	<u>1,950,000</u>
Total	\$ <u>23,140,260</u>

In October 2008, **CCP** borrowed \$74.8 million under a loan agreement with the State Public School Building Authority. The loan has interest rates ranging from 3.0% to 6.25%, and will be repaid over a 20-year period through 2028. The loan proceeds are being used to fund various projects at the college.

In prior years, **CCP** has entered into various loan agreements with the State Public School Building Authority and the Hospitals & Higher Education Facilities Authority for loans totaling approximately \$80.6 million. The loans have interest rates ranging from 3.75% to 6.50%, mature through 2023 and will be used for various capital projects, the upgrading of network infrastructures and various deferred maintenance cost.

The combined principal balance outstanding at year-end is as follows:

<u>Period</u>	<u>Amount</u>
2009 to 2010	\$ 6,945,000
2010 to 2011	7,200,000
2011 to 2012	7,480,000
2012 to 2013	7,795,000
2013 to 2014	7,355,000
2015 to 2019	26,280,000
2020 to 2024	27,050,000
2025 to 2029	<u>20,040,000</u>
Total	\$ <u>110,145,000</u>

In December 2008, PPA took out two loans borrowing a total of \$10.0 million for concrete restoration at various Airport Garages. The first was a bank qualified loan in the amount of \$8.8 million with a floating interest rate not to go below 4.25%, based on a floating prime rate. At March 31, 2009 the rate was 4.25% and the principal balance was \$8.4 million. The second loan of \$1.2 million has a fixed rate interest rate of 5.92%. The principal balance at March 31, 2009 was \$1.1 million. Both loans have a five year term.

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

The total outstanding principal balance of these notes at March 31, 2009 was \$17,857,748 subject to the following repayment schedule:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 3,906,198
2011	4,003,953
2012	3,541,592
2013	2,841,833
2014	1,965,042
2015-2019	<u>1,599,130</u>
	<u>\$ 17,857,748</u>

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, 2009 the statutory limit for the City is \$1.5 billion, the General Obligation Debt net of deductions authorized by law is \$1.4 billion, leaving a legal debt borrowing capacity of \$117.1 million. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims are typically paid by the General Fund.

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

(Amounts In Millions of USD)

Governmental Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Term Bonds	601.0	578.2	(369.3)	809.9	40.3
Refunding Bonds	820.4	-	(8.6)	811.8	16.0
Serial Bonds	483.6	39.6	(36.6)	486.6	33.5
Less Deferred Amounts					
Unamortized Bond Premium	65.4	-	(4.8)	60.6	-
Unamortized Issuance Expenses	(32.8)	(3.5)	-	(36.3)	-
Unamortized Discount and Loss	(54.4)	(3.1)	3.7	(53.8)	-
Total Bonds Payable	<u>1,883.2</u>	<u>611.2</u>	<u>(415.6)</u>	<u>2,078.8</u>	<u>89.8</u>
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,446.6	52.0	(54.8)	1,443.8	71.1
Neighborhood Transformation	265.6	-	(6.3)	259.3	6.6
One Parkway	49.7	-	(1.5)	48.2	1.5
Sports Stadia	348.2	-	(6.2)	342.0	4.9
Library	10.0	-	(0.4)	9.6	0.4
Cultural Corridor Bonds	132.6	-	(3.1)	129.5	3.3
Arbitrage	1.3	-	(0.1)	1.2	-
Indemnity Claims	36.1	36.8	(35.3)	37.6	12.0
Worker's Compensation Claims	210.6	93.3	(52.1)	251.8	31.5
Termination Compensation Payable	185.1	27.2	(18.9)	193.4	18.9
OPEB Obligation	3.7	17.5	-	21.2	-
Governmental Activity Long-term Liabilities	<u>4,572.7</u>	<u>838.0</u>	<u>(594.3)</u>	<u>4,816.4</u>	<u>240.0</u>

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)

Governmental Funds:	Interest Rates	Principal	Due Dates
City	4.00 % to 7.125 %	1,281.0	Fiscal 2010 to 2039
PMA	2.00 % to 7.50 %	269.6	Fiscal 2010 to 2039
PICA	2.00 % to 5.52 %	557.7	Fiscal 2010 to 2023
		<u>2,108.3</u>	

- In June 2009, **PMA** issued lease revenue bonds series 2009 in the amount of \$97.9 million. There were serial bonds issued for the amount of \$19.1 million, with interest rates ranging from 4.0% to 6.10%, maturing in 2024. Term bonds were also issued, with interest ranging from 6.0% to 6.50% maturing in 2039. The term bonds were issued in the amounts of \$7.1 million, \$16.9 million, \$23.1 million, and \$31.6 million respectively. The proceeds from the bonds will be used to (i) design, construct and equip a youth center facility (including capitalized interest) and (ii) to pay costs associated with the issuance of the bonds.
- In January 2009, the City issued \$165.0 million of general obligation bonds series 2008B. There were serial bonds issued in the amount of \$20.5 million with interest rates ranging 4.0% to 6.0% maturing in 2018. Term

bonds were issued in the amounts of \$4.8 million, \$19.4 million, \$25.0 million and \$95.3 million respectively. The term bonds have interest rates ranging from 5.25% to 7.125% maturing in 2038. The bonds were issued for the purpose of financing capital projects relating to transit; streets and sanitation; municipal buildings; parks, recreations and museums; and economic and community development.

The City has General Obligation Bonds authorized and un-issued at year-end of \$122.6 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts In Millions of USD)

Fiscal Year	City Fund		Blended Component Units			
	General Fund		PMA		PICA	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	34.5	63.3	15.0	18.4	40.3	27.3
2011	36.5	61.3	15.6	19.4	37.8	26.1
2012	39.3	59.5	17.1	18.7	39.8	24.2
2013	46.6	57.4	18.1	18.4	41.7	22.2
2014	49.0	54.9	19.2	17.2	43.8	20.1
2015-2019	268.1	234.5	100.5	46.1	226.7	65.5
2020-2024	284.9	165.2	12.5	25.5	127.6	14.6
2025-2029	278.6	98.4	16.9	21.2	-	-
2030-2034	188.6	39.0	23.1	15.0	-	-
2035-2039	54.9	10.3	31.6	6.4	-	-
Totals	<u>1,281.0</u>	<u>843.8</u>	<u>269.6</u>	<u>206.3</u>	<u>557.7</u>	<u>200.0</u>

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		Neighborhood Transformation		One Parkway		Sports Stadium		Central Library		Cultural Corridors	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	71.1	38.7	6.5	13.4	1.5	2.2	4.9	13.9	0.4	0.4	3.3	6.1
2011	80.2	34.5	6.9	13.0	1.6	2.2	5.6	13.7	0.5	0.4	3.3	5.9
2012	75.5	44.2	7.2	12.7	1.6	2.1	5.9	13.4	0.5	0.3	3.4	5.8
2013	74.7	50.0	7.6	12.3	2.1	2.0	11.5	13.0	0.5	0.3	3.6	5.6
2014	70.9	55.1	8.0	11.9	2.1	1.9	12.0	12.4	0.5	0.3	3.8	5.5
2015-2019	315.1	354.8	46.9	52.8	12.4	8.1	67.8	53.5	2.9	1.3	21.9	24.2
2020-2024	227.8	445.8	60.8	38.9	15.7	4.9	83.6	38.5	3.5	0.7	28.2	18.0
2025-2029	528.5	245.0	78.3	21.5	11.2	1.1	103.1	20.0	0.8	-	36.1	10.1
2030-2034	-	-	37.1	2.8	-	-	47.6	1.9	-	-	25.9	1.8
Totals	<u>1,443.8</u>	<u>1,268.1</u>	<u>259.3</u>	<u>179.3</u>	<u>48.2</u>	<u>24.5</u>	<u>342.0</u>	<u>180.3</u>	<u>9.6</u>	<u>3.7</u>	<u>129.5</u>	<u>83.0</u>

(2) Business Type Debt Payable

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

(Amounts In Millions of USD)

Business-Type Activity	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
General Obligation Bonds	4.6	-	(1.2)	3.4	1.2
Revenue Bonds	2,968.0	185.7	(167.4)	2,986.3	132.1
Less Deferred Amounts					
Unamortized Discounts and Loss	(95.8)	(0.2)	8.8	(87.2)	-
Total Bonds Payable	<u>2,876.8</u>	<u>185.5</u>	<u>(159.8)</u>	<u>2,902.5</u>	<u>133.3</u>
Indemnity Claims	2.4	7.4	(5.4)	4.4	-
Worker's Compensation Claims	12.1	6.8	(3.4)	15.5	-
Termination Compensation Payable	15.7	2.7	(2.2)	16.2	-
Arbitrage	0.8	1.1	(0.1)	1.8	-
Business-type Activity Long-term Liabilities	<u>2,907.8</u>	<u>203.5</u>	<u>(170.9)</u>	<u>2,940.4</u>	<u>133.3</u>

In addition, the Enterprise Funds have debt that is classified on their respective balance sheets as General Obligation debt payable which is summarized in the following schedule:

(Amounts In Millions of USD)

	<u>Interest Rates</u>	<u>Principal</u>	<u>Due Dates</u>
Enterprise Funds			
Water Fund	1.00 %	3.4	Fiscal 2010 to 2012
		<u>3.4</u>	

Also, the City has General Obligation Bonds authorized and un-issued at year end of \$303.6 million for the Enterprise Funds.

The debt service through maturity for Business-type General Obligation Debt is as follows:

(Amounts In Millions of USD)

<u>Fiscal Year</u>	<u>Water Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2010	1.2	0.1
2011	1.2	-
2012	1.0	-
Totals	<u>3.4</u>	<u>0.1</u>

Several of the City's Enterprise Funds have issued debt payable from the revenues of the particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Millions of USD)

	<u>Interest Rates</u>	<u>Principal</u>	<u>Due Dates</u>
Water Fund	0.33 % to 7.00 %	1,715.1	Fiscal 2010 to 2036
Aviation Fund	2.00 % to 5.75 %	<u>1,271.2</u>	Fiscal 2010 to 2037
Total Revenue Debt Payable		<u><u>2,986.3</u></u>	

- In June, 2009 **PICA** issued \$354.9 million in Special Tax Revenue Refunding Bonds Series 2009. The bonds have interest rates ranging from 2.0% to 5.0% maturing in 2023. The proceeds of the bonds were used to (1) provide for the current refunding of all of PICA's Special Tax Revenue Bonds, Series 1999 stated to mature on or after June 15, 2010, in the aggregate principal amount of \$326.8 million, (2) pay the costs of terminating an interest rate swaption and (3) pay the costs of issuing the 2009 bonds. The cash flow required by the new bonds is \$36.2 million more than the cash flows required by the refunded bonds. There was an economic loss on the refunding of \$28.1 million. The 1999 swaption associated with these Series 1999 bonds was terminated and PICA paid a termination fee to the counterparty in the amount of \$52.7 million.
- In May 2009, the City issued Water & Wastewater Revenue Bonds Series 2009A in the amount of \$140.0 million. There were serial bonds issued for \$80.4 million with interest rates ranging from 4.0% to 5.75% maturing in 2033. Term bonds were issued in the amounts of \$25.3 million and \$34.3 million. The term bonds have an interest rate of 5.25% maturing in 2032 and 2036 respectively. The proceeds of the bonds will be combined with other available funds of the Water Department and will be used (1) to fund capital improvements to the City's water & wastewater system, (2) to fund the debt reserve account of the sinking fund and (3) to pay costs of issuance relating to the bonds.
- In April 2009 the City issued Airport Revenue Refunding Bonds Series 2009A sub series (1) through (3) in the amount of \$45.7 million. Serial bonds were issued in the amount of \$25.7 million with interest rates ranging from 1.5% to 5.0% maturing in 2023. Term bonds were issued in the amounts of \$3.9 million and \$16.1 million with interest rates ranging from 5.0% to 5.375% maturing in 2024 and 2029 respectively. The gain/loss on the bonds cannot be calculated in the usual way because the refunded bonds (series 2005B) were variable rate bonds that were subject to Alternative Minimum Tax ("AMT"). However, the 2009A bonds were issued on a fixed rate basis with the bonds not being subject to AMT. The proceeds of the bonds, together with other monies of the City, are being used to (1) current refund the City's outstanding Airport Revenue Bonds Series 2005B, (2) fund a deposit to the Parity Sinking Fund Reserve Account in respect of the bonds, and (3) pay the costs of issuance of the bonds.
- In December 2008, the outstanding balance of \$178.6 million of City of Philadelphia Airport Revenue Refunding Bonds Series 2005C was remarketed under an irrevocable direct pay letter of credit (LOC) from TD Bank. The TD Bank LOC replaces a bond insurance policy from MBIA Insurance Corporation and the liquidity facility provided by JP Morgan Chase Bank, N.A. pursuant to standby bond purchase agreement, issued simultaneously with the issuance of the 2005C bonds in June 2005, and the surety policy for the sinking fund reserve account for the 2005C bonds. The LOC constitutes both a Credit Facility and Liquidity Facility under the Ordinance and the Variable Rate Securities Agreement, and TD Bank N.A. will be the Credit Provider and Liquidity Provider under the Ordinance and the Variable Rate Securities Agreement for the 2005C bonds. . The bonds will have a weekly interest rate and maturing in 2025.
- In September 2008, the outstanding balance of \$78.5 million of City Water & Wastewater Revenue Bonds, Variable Rate Series 1997B, was remarketed under an irrevocable direct-pay letter of credit (LOC) from Bank of America. The LOC replaces a bond insurance policy from Ambac Assurance Corp., and a liquidity facility provided by KBC Bank N.V. pursuant to a standby bond purchase agreement previously issued with the original issuance of the 1997B bonds. The LOC will constitute both a credit facility and liquidity facility and Bank of America N.A. a credit provider and liquidity provider. The bonds continue to have a weekly interest rate maturing in 2027.

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

(Amounts In Millions of USD)

Fiscal Year	Water Fund		Aviation Fund	
	Principal	Interest	Principal	Interest
2010	93.6	79.7	38.5	65.7
2011	99.7	76.5	45.8	63.3
2012	107.0	69.1	48.5	60.5
2013	115.6	63.6	51.5	57.6
2014	121.6	57.9	54.5	54.6
2015-2019	426.0	214.7	285.0	224.3
2020-2024	247.8	146.3	311.8	148.1
2025-2029	229.2	94.2	311.8	71.6
2030-2034	223.0	36.6	83.8	22.2
2035-2039	51.6	3.2	40.0	3.6
Totals	<u>1,715.1</u>	<u>841.8</u>	<u>1,271.2</u>	<u>771.5</u>

(3) Defeased Debt

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

(Amounts In Millions of USD)

Governmental Funds:	
General Obligation Bonds	195.7
Enterprise Funds:	
Water Fund Revenue Bonds	<u>170.9</u>
	<u>366.6</u>

(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 \$350.0 million in Tax Revenue Anticipation Notes by June 2009 plus interest. In accordance with statute, there are no temporary loans outstanding at year-end.

(Amounts In Millions of USD)

Tax Revenue Anticipation Notes:	
Balance July 1, 2008	-
Additions	350.0
Deletions	<u>(350.0)</u>
Balance June 30, 2009	<u>-</u>

(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, 2009, the General Fund, Aviation Fund and the Water Fund had recorded liabilities of \$1.2 million, \$1.3 million and \$0.5 million respectively.

(6) Swaps

City Entity	City GO	Airport	Water	Water	Water	Water
Related Bond Series	2007B	2005C Refunding	2003 Refunding	2005 Refunding	2010 (4) Forward	2010 (4) Forward
Initial Notional Amount	\$313,505,000	\$189,500,000	\$381,275,000	\$86,105,000	\$90,000,000	\$90,000,000
Current Notional Amount	\$313,505,000	\$173,900,000	\$370,030,000	\$83,665,000	\$90,000,000	\$90,000,000
Termination Date	8/1/2031	6/15/2025	6/15/2023	8/1/2018	1/1/2037	1/1/2037
Product	Fixed Payer Swap	Fixed Payer Swap (1)	Fixed Payer Swap (2)	Fixed Payer Swap (3)	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	SIFMA	Bond Rate/ 68.5% 1- month LIBOR	Bond Rate/ 68.5% 1- month LIBOR	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	Multiple Fixed Rates	4.52%	4.53%	4.52275%	4.52275%
Dealer	Royal Bank of Canada	JP Morgan Chase Bank, N.A.	Citigroup Financial Products Inc.	Citigroup Financial Products Inc.	Wachovia Bank, N.A.	Merrill Lynch Capital Serv., Inc.
Dealer Rating	Aaa/AA-	Aa1/AA-	A3/A (Citigroup Inc.)	A3/A (Citigroup Inc.)	Aa2/AA	A2/A (Merrill Lynch & Co.)
Fair Value (5)	(16,616,713)	(28,580,144)	(51,305,252)	(12,471,289)	(6,908,919)	(6,908,919)

Notes:

- (1) The City received an up front payment of \$6,536,800 for the related swaption. JPMorgan exercised its option to enter into the swap on 6/15/2005. The swap includes a knock-out option whereby JPMorgan has the right to terminate the swap if the 180-day SIFMA average exceeds 7.00%.
- (2) The City received an up front payment of \$24,989,925.68 for the related swaption. Citigroup exercised its option to enter into the swap on 3/18/2003. Under the swap, the City receives the bond rate or 68.5% of 1-month LIBOR in the event of an Alternative Floating Rate Date. An Alternative Floating Rate Date has been triggered and the City is currently receiving the LIBOR-based rate.
- (3) The City received an up front payment of \$4,000,000 for the related swaption. Citigroup exercised its option to enter into the swap on 5/4/2005. Under the swap, the City receives the bond rate or 68.5% of 1-month LIBOR in the event of an Alternative Floating Rate Date. An Alternative Floating Rate Date has been triggered and the City is currently receiving the LIBOR-based rate.
- (4) On 2/10/2009, the City amended the effective date on the forward starting swaps from 2/17/2009 to 8/1/2010. This resulted in an upward adjustment in the fixed rate from 4.1184% to 4.52275%.
- (5) Fair values are shown from the City's perspective and include accrued interest.

a. City of Philadelphia 2007B General Obligation Bond Swap

Objective In December, 2007, the City entered into a swap to synthetically refund all or a portion of several series of outstanding bonds. The swap structure was used as a means to increase the City's savings when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed-rate structure.

Terms: The swap, executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of \$ 313.5 million). As of June 30, 2009, the swap had a notional amount of \$313.5 million and the associated variable rate bonds had a \$313.5 million principal amount. The bonds mature in August, 2031.

Fair Value: As of June 30, 2009, the swap had a negative fair value of (\$ 16.6 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2009, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the rating of RBC falls below Baa3 or BBB- or by RBC if the rating of the City falls below Baa3 or BBB-. There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by FSA, no termination event based on the City's ratings can occur as long as FSA is rated at least A3 and A-.

As of June 30, 2009, the rates were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to RBC under swap	Fixed	3.82900 %
Variable payment from RBC under swap	SIFMA	(0.35000) %
Net interest rate swap payments		3.47900 %
Variable Rate bond coupon payments	Weekly resets	3.50000 %
Synthetic interest rate on bonds		6.979 %

Swap payments and associated debt: As of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate	
	Principal	Interest	Swaps Net	Total Interest
2010	\$ -	\$ 10,972,675	\$ 10,906,839	\$ 21,879,514
2011	-	10,972,675	10,906,839	21,879,514
2012	-	10,972,675	10,906,839	21,879,514
2013	-	10,972,675	10,906,839	21,879,514
2014	-	10,972,675	10,906,839	21,879,514
2015 - 2019	-	54,863,375	54,534,195	109,397,570
2020 - 2024	114,205,000	49,345,100	49,049,029	98,394,129
2025 - 2029	146,175,000	23,358,300	23,218,150	46,576,450
2030 - 2032	53,125,000	3,767,925	3,745,317	7,513,242
	<u>313,505,000</u>	<u>186,198,075</u>	<u>185,080,886</u>	<u>371,278,961</u>

b. Philadelphia Airport Swap

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Department (the Philadelphia Airport) with an up-front payment of \$6.5 million. As a synthetic refunding of its 1995 Bonds, this payment approximated the present-value savings as of April, 2002, of refunding on June 15, 2005, based upon interest rates in effect at the time. The swaption gave JP Morgan Chase Bank the option to enter into an interest rate swap with the Airport whereby JP Morgan would receive fixed amounts and pay variable amounts.

Terms: JP Morgan exercised its option to enter into a swap on June 15, 2005, and the swap commenced on that date. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%). The payments are based on an amortizing notional schedule (with an initial notional amount of \$189.5 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into. The swap's variable payments are based on the SIFMA Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan Chase has the option to terminate the swap.

As of June 30, 2009, the swap had a notional amount of \$173.9 million and the associated variable-rate bonds had a \$173.9 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2009, the swap had a negative fair value of (\$28.5 million). This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase.

Risk: As of June 30, 2009, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as MBIA is rated at least A- or A3, MBIA is currently below this rating level.

As of June 30, 2009, the rates were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to JPMorgan under swap	Fixed	5.87072 %
Variable payment from JPMorgan under swap	SIFMA	(0.35000) %
Net interest rate swap payments		5.52072 %
Variable Rate bond coupon payments	Weekly resets	0.40 %
Synthetic interest rate on bonds		5.92072 %

Swap payments and associated debt: As of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	<u>Total Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	
2010	\$ 5,300,000	\$ 695,600	\$ 9,600,532	\$ 10,296,132
2011	6,000,000	674,400	9,307,934	9,982,334
2012	6,700,000	650,400	8,976,691	9,627,091
2013	7,500,000	623,600	8,606,802	9,230,402
2014	8,200,000	593,600	8,192,748	8,786,348
2015 - 2019	53,100,000	2,411,200	33,278,900	35,690,100
2020 - 2024	71,300,000	1,195,000	16,501,432	17,696,432
2025	15,800,000	63,200	872,274	935,474
	<u>173,900,000</u>	<u>6,907,000</u>	<u>95,337,313</u>	<u>102,244,313</u>

c. City of Philadelphia 2003 Water & Sewer Swap

Objective In December 2002, the City entered into a swaption that provided the City's Water and Sewer Department with an up-front payment of \$25.0 million. As a synthetic refunding of all or a portion of its 1993 Bonds, this payment approximated the present value savings, as of December 2002 of a refunding on March 18 2003, based upon interest rates in effect at the time. The swaption gave Citigroup (formerly Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: Citigroup exercised its option to enter into a swap on March 18, 2003 and the swap commenced on that date. Under the terms of the swap, the City pays a fixed rate of 4.52% and receives a variable payment computed as the actual bond rate or alternatively, 68.5% of one-month LIBOR, in the event the average rate on the Bonds as a percentage of the average of the one-month LIBOR has exceeded 68.5% for a period of more than 180 days. Citigroup exercised its option during this fiscal year to pay 68.5% of one-month LIBOR under the swap. The payments are based on an amortizing notional schedule (with an initial notional amount of \$381.2 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into.

As of June 30, 2009, the swap had a notional amount of \$370.0 million and the associated variable-rate bonds had a \$370.0 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature June 15, 2023, and the related swap agreement terminates on June 15, 2023.

Fair Value: As of June 30, 2009, the swap had a negative fair value of (\$51.3 million). This means that the City's Water and Sewer Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2009, the City was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. Since the City is now receiving 68.5% of one month LIBOR the City is exposed to (i) basis risk, as reflected by the relationship between the variable rate bond coupon payments and 68.5% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in the marginal tax rates causes the rate paid on the bonds to be greater than the 68.5% of LIBOR received on the swap. The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the ratings of Citigroup or its Credit Support Provider, falls below A3 and A-, or by Citigroup if the rating of the City's Water & 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 FSA, no termination event based on the City's Water & Wastewater Revenue Bond ratings can occur as long as FSA is rated at least A or A2.

As of June 30, 2009, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to Citigroup under swap	Fixed	4.52 %
Variable payment from Citigroup under swap	68.5% of 1 month LIBOR	(0.21149) %
Net interest rate swap payments		4.30851 %
Variable Rate bond coupon payments	Weekly resets	1.00 %
Synthetic interest rate on bonds		5.30851 %

Swap payments and associated debt: As of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	<u>Total Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	
<u>June 30</u>				
2010	1,205,000	3,700,300	15,942,780	19,643,080
2011	1,260,000	3,688,250	15,890,862	19,579,112
2012	41,195,000	3,675,650	15,836,575	19,512,225
2013	43,205,000	3,263,700	14,061,684	17,325,384
2014	45,305,000	2,831,650	12,200,192	15,031,842
2015 - 2019	181,315,000	6,700,100	28,867,448	35,567,548
2020 - 2023	56,545,000	1,447,400	6,236,137	7,683,537
	<u>370,030,000</u>	<u>25,307,050</u>	<u>109,035,678</u>	<u>134,342,728</u>

d. City of Philadelphia, 2005 Water & Sewer Swap

Objective: In December, 2002, the City entered into a swaption that provided the City with an up-front payment of \$4.0 million. As a synthetic refunding of all or a portion of its 1995 Bonds, this payment approximated the present value savings, as of December 2002, of a refunding on May 4, 2005. The swaption gave Citigroup (formerly of Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: Citigroup exercised its option to enter into a swap May 4, 2005, and the swap commenced on that date. Under the terms of the swap, the City pays a fixed rate of 4.53% and receives a variable payment computed as the actual bond rate or alternatively, 68.5% of one month LIBOR, in the event the average rate on the Bonds as a percentage of the average of one month LIBOR has exceeded 68.5% for a period of more than 180 days. Citigroup exercised its option during this fiscal year to pay 68.5% of one month LIBOR under the swap. The payments are based on an amortizing notional schedule (with an initial notional amount of \$86.1 million), and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into.

As of June 30, 2009, the swap had a notional amount of \$83.7 million and the associated variable-rate bond had an \$83.7 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on August 1, 2018 and the related swap agreement terminates on August 1, 2018.

Fair value: As of June 30, 2009, the swap had a negative fair value of (\$ 12.5 million). This means that the Water Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2009 the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. Since the City is now receiving 68.5% of one month LIBOR, the City is exposed to (i) basis risk, as reflected by the relationship between the variable-rate bond coupon payments and 68.5% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 68.5% of LIBOR received on the swap. The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the ratings of Citigroup or its Credit Support Provider fall below A3 and A-, or by Citigroup if the rating of the City's water and wastewater revenue bonds falls below A3 or A-. There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by FSA, no termination event based on the City's water and wastewater revenue bond ratings can occur as long as FSA is rated at least A or A2.

As of June 30, 2009, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to Citigroup under swap	Fixed	4.53 %
Variable payment from Citigroup under swap	68.5% of one month LIBOR	(0.21149) %
Net interest rate swap payments		4.31851 %
Variable Rate bond coupon payments	Weekly resets	6.00 %
Synthetic interest rate on bonds		10.31851 %

Swap payments and associated debt: As of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate	Total Interest
	Principal	Interest	Swaps Net	
2010	390,000	5,019,900	3,613,081	8,632,981
2011	405,000	4,996,500	3,596,239	8,592,739
2012	425,000	4,972,200	3,578,749	8,550,949
2013	450,000	4,946,700	3,560,396	8,507,096
2014	14,820,000	4,919,700	3,540,962	8,460,662
2015 - 2019	67,175,000	10,349,100	7,448,782	17,797,882
	<u>83,665,000</u>	<u>35,204,100</u>	<u>25,338,209</u>	<u>60,542,309</u>

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

Objective: In February, 2007, the City entered into two forward starting swaps to take advantage of the current low interest rate environment in advance of the issuance of water and wastewater revenue bonds expected to be issued by the City in 2008.

Terms: The notional amount was evenly split between two counterparties, Merrill Lynch Capital Services, Inc. and Wachovia Bank, N.A. Both swap confirmations were amended in December, 2007, to move the swap start date from February, 2008, to February, 2009 as the bond issuance had been delayed. In February 2009 both swap confirmations were amended again to move the swap start date from February 2009 to August 2010, as the bond issuance had been delayed. The termination date is the same for both swaps and is January, 2037. The swaps were priced based on an amortizing notional schedule with a combined \$180.0 million initial notional amount. Under the swaps, the City will pay a fixed rate of 4.52275% and will receive a variable rate equal to the SIFMA Municipal Swap Index.

Fair value: As of June 30, 2009, the swap taken together had a negative fair value of (\$13.8 million). This means that the Water and Sewer Department would have to pay this amount to terminate these swaps.

Risk: As of June 30, 2009, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change, if SIFMA resets at a rate below the variable-rate bond coupon payments, the synthetic interest rate on the bonds will increase. The swaps include additional termination events based on credit ratings. The swaps may be terminated by the City if Merrill Lynch's guarantor (Merrill Lynch & Co.) or Wachovia fails to have a rating of at least Baa2 or higher or BBB or higher, or by Merrill Lynch or Wachovia if the City fails to have a rating of at least Baa2 or higher or BBB or higher.

	PICA	PICA	PICA	PICA
Related Bond Series	1999 (1)	2008A (2)	2008A	2008B (3)
Initial Notional Amount	\$326,865,000	\$163,185,000	\$163,185,000	\$89,960,000
Current Notional Amount	\$326,865,000	\$126,915,000	\$126,915,000	\$75,900,000
Termination Date	6/15/2023	6/15/2022	6/15/2022	6/15/2020
Product	Basis Cap	Fixed Payer Swap	Basis Cap	Fixed Payer Swap
Rate Paid by Dealer	0.46%	67% of 1 month LIBOR	0.40%	67% of 1 month LIBOR
Rate Paid by City Entity	Greater of (i) average of SIFMA for one month/ LIBOR less 70% * 1 month LIBOR or (ii) zero	5.0%	Greater of (i) average of SIFMA for one month/ LIBOR less 70% * 1 month LIBOR or (ii) zero	Multiple Fixed Rates ranging from 5.52% to 5.5%
Dealer	JP Morgan Chase Bank, N.A.	JP Morgan Chase Bank, N.A.	JP Morgan Chase Bank, N.A.	JP Morgan Chase Bank, N.A.
Dealer Rating	Aa1/AA-	Aa1/AA-	Aa1/AA-	Aa1/AA-
Fair Value	(5,316,475)	(22,587,721)	(2,774,708)	(14,562,023)

Notes:

(1) Payments begin on July 15, 2009.

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

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

The 1999 Fixed Payer Swaption, \$326.8 million, was terminated on June 15, 2009.

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

Objective of the swaptions: During the fiscal year ended June 30, 2002, PICA (the Authority) entered into three swaption agreements with JP Morgan Chase Bank (JP Morgan). JP Morgan paid the Authority upfront premium payments totaling \$26.2 million (\$10.7 million for the 1993A issuance, \$5.8 million for the 1996 issuance and \$9.7 million for the 1999 issuance). These swaption agreements were entered into in order to create a synthetic refunding of the Authority's 1993A, 1996, and 1999 bonds. The premium payments approximated the present value savings on the Bonds' call dates. The swaptions give the counterparty the option to make the Authority enter into pay-fixed, receive-variable interest rate swaps. On June 15, 2009 PICA terminated the 1999 swaption and paid a \$52.7 million termination fee to a counterparty.

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

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

Fair value: As of June 30, 2009, the 1999 Basis Cap had a negative fair value of (\$5.3 million). This means that **PICA** would have to pay this amount to terminate the 1999 basis cap.

Risk: The basis cap includes 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.

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

In June, 2003, and June 2006, the counterparty exercised its option under the 1993A and 1996 swaption agreements respectively, concurrently with **PICA** (the Authority) Series 2003 and 2006 Refunding Bond issuances. The \$10.7 million premium received (1993A) was recognized as swaption premium revenue during the fiscal year ended June 30, 2003. The \$5.8 million (1996) premium was recognized as swaption premium revenue during the fiscal year ended June 30, 2006. At June 30, 2009, the unamortized swaption premium continue to be reflected as deferred revenue in the government-wide financial statements, net of amortization over the life of the related Swap Agreements. As such, the revenue from the premium for the 1999 issuance (\$9.7 million), previously deferred, was recognized as income in both the statements of activities and revenues, expenditures and changes in fund balances.

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

In June, 2003, the Authority also entered into two basis cap transactions with the counterparty, one related to the 2003 swap and one related to the 1999 swaption as discussed above. Beginning July 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by one-month LIBOR less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the 2003 interest rate swap noted above. The objective of each basis cap is to generate income. If the ratio of SIFMA/LIBOR rises sharply, the anticipated benefit might not be realized.

Fair value: The 2003 swap and basis cap had a negative fair value of approximately (\$22.6 million) and (\$2.8 million) as of June 30, 2009 respectively. This means that **PICA** would have to pay this amount to terminate the 2003 swap and basis cap. The swap and basis cap negative fair values may be countered by a reduction in total interest payments required by the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The 2006 swap had a negative fair value of approximately (\$14.6 million) as of June 30, 2009. This means that **PICA** would have to pay to pay this amount to terminate the 2006 swap.

Risk: As of June 30, 2009, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would

be exposed to credit risk in the amount of the swap's fair value. The counterparty was rated "AA-" by Standard and Poor's and "Aa1" by Moody's Investors Service as of June, 2009. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A-" or "A3", respectively, the fair value of the swap will be fully collateralized by the counterparty within 15 days of it having ceased to have such minimum ratings. The collateral would be posted with a third party custodian.

As noted above, the swap exposes the Authority to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. If a change occurs, the results in the rates' moving to converge, the expected cost savings may not be realized. At June, 2009, the 67% of LIBOR rate was approximately .21% and the SIFMA rate was equal to .45%

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

City Entity	City Lease PAID	City Lease PAID	City Lease PAID	City Lease PAID
Related Bond Series	2001 (Stadium)	2001 (Stadium)	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	\$298,485,000	\$104,965,000	\$217,275,000	\$72,400,000
Current Notional Amount	\$193,520,000	\$104,965,000	\$217,275,000	\$72,400,000
Termination Date	10/1/2030	10/1/2020	10/1/2030	10/1/2030
Product	Basis Swap (1)	Constant Maturity Swap	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	67% 1- month LIBOR + 0.20%, plus fixed annuity	62.89% 5- year LIBOR CMS + 0.20%	SIFMA	SIFMA
Rate Paid by City Entity	SIFMA	SIFMA	3.9713%	3.9713%
Dealer	Merrill Lynch Capital Services, Inc.	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Dealer Rating	A2/A (Merrill Lynch & Company	A2/A (Merrill Lynch & Company	Aa1/AA-	A2/A (Merrill Lynch & Company
Fair Value (2)	(9,346,012)	1,153,346	(14,639,304)	(4,878,046)

Notes:

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

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

h. Philadelphia Authority for Industrial Development (PAID) 2007B Swaps

Objective: In December, 2007, **PAID** entered into two swaps to synthetically refund **PAID**'s outstanding Series 2001B bonds. The swap structure was used as a means to increase **PAID**'s savings when compared with fixed-rate bonds at the time of issuance. The intention of the swaps was to create a synthetic fixed-rate structure

Terms: The total original notional amount of the two swaps was \$289.7 million which matched the principal amount of the 2007B bonds issued (\$289.7 million). One swap, with a notional amount of \$217.3 million, was executed with JP Morgan Chase Bank. The other swap, with a notional amount of \$72.4 million was executed with Merrill Lynch Capital Services, Inc. Both swaps commenced on October 25, 2007 and will terminate on October 1, 2030. Under the swaps, **PAID** pays a fixed rate of 3.9713% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule. As of June 30, 2009, the swaps together had a notional amount of \$289.7 million which matched the principal amount of the associated variable rate bond deal. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2009, the swap with JP Morgan Chase Bank had a negative fair value of (\$14.6 million) and the swap with Merrill Lynch Capital Services, Inc. has a negative fair value of (\$4.9 million). This means that **PAID** would have to pay these amounts to terminate the swaps.

Risks: As of June 30, 2009, **PAID** was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swaps become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swaps include an additional termination event based on credit ratings. The swaps may be terminated by **PAID** if the rating of the respective counterparty on the swaps falls below Baa3 or BBB- or by the respective counterparties if the underlying rating on the associated bonds falls below Baa3 or BBB-. There are 30-day cure periods to these termination events. The City's swap payments are insured by FGIC

As of June 30, 2009, the rates were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to JPMorgan under Swap	Fixed	3.97130 %
Variable payment from JPMorgan under Swap	SIFMA	(0.35000) %
Net interest rate swap payments		3.62130 %
Variable Rate bond coupon payments	Weekly resets	0.25000 %
Synthetic interest rate on bonds		3.8713 %

As of June 30, 2009, the rates were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to Merrill Lynch under Swap	Fixed	3.97130 %
Variable payment from Merrill Lynch under Swap	SIFMA	(0.35000) %
Net interest rate swap payments		3.62130 %
Variable Rate bond coupon payments	Weekly resets	0.25000 %
Synthetic interest rate on bonds		3.87130 %

Swap payments and associated debt: As of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	<u>Total Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	
2010	\$ -	\$ 724,188	\$ 10,490,001	\$ 11,214,189
2011	-	724,188	10,490,001	11,214,189
2012	-	724,188	10,490,001	11,214,189
2013	-	724,188	10,490,001	11,214,189
2014	-	724,188	10,490,001	11,214,189
2015 - 2019	55,395,000	3,420,450	49,545,902	52,966,352
2020 - 2024	86,620,000	2,527,850	36,616,413	39,144,263
2025 - 2029	103,035,000	1,389,563	20,128,091	21,517,654
2030 - 2031	<u>47,625,000</u>	<u>179,838</u>	<u>2,604,982</u>	<u>2,784,820</u>
	<u>292,675,000</u>	<u>11,138,641</u>	<u>161,345,393</u>	<u>172,484,034</u>

i. Philadelphia Authority for Industrial Development Basis Swap

Objective: PAID entered into a basis swap that became effective on July 1, 2004, that provides PAID with ten equal payments of \$1.2 million with the first payment due on July 1, 2004. PAID executed the basis swap to create a benefit similar to entering into a synthetic refunding, using a swap based on a percentage of LIBOR, without having to issue bonds or eliminate future advance refunding opportunities. In July, 2006, a portion of the existing basis swap was restructured such that the variable rate received by PAID was converted from a percentage of one month LIBOR to a percentage of the five year LIBOR swap rate, on a forward starting basis. This provides for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio.

Terms: The original swap was executed with Merrill Lynch Capital Service Inc. ("MLCS") with payments based on an amortization schedule and an initial notional amount of \$298.5 million. The swap commenced on July 1, 2004 and matures on October 1, 2030. Under the swap, PAID pays a variable rate equal to the SIFMA Municipal Swap Index and receives a variable rate computed as 67% of one-month LIBOR + 20 basis points. PAID, also receives ten equal payments of \$1.2 million from MLCS starting on July 1, 2004. Payments under this swap are a lease rental obligation of the City.

The transaction was amended to \$105.0 million of the original notional amount with payments based on an amortization schedule. Under the amended portion of the swap, the variable payments received by **PAID** are computed as 62.89% of five year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amended effective date is October 1, 2006, with variable payments made (as described above) through October 1, 2020.

As of June 30, 2009, the notional amount on the portion of the swap that was not amended was \$193.5 million. As of June 30, 2009, the notional amount on the portion of the swap that was amended was \$105.0 million:

Fair Value: As of June 30, 2009, the swap (including both the amended swap and the portion of the original swap that was not amended) had a negative fair value of (\$8.2 million). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2009, **PAID** is not exposed to credit risk because the swaps taken together had a negative fair value. Should interest rates change and the fair value of the swaps become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by **PAID** if the ratings of MLCS's guarantor (Merrill Lynch & Co.) falls below Baa3 or BBB- or the swap may be terminated by MLCS if the City's rating falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

The swap exposes **PAID** to two forms of basis risk, each with a different portion of the swap. On the un-amended portion, the swap exposes **PAID** to the risk that the relationship between one month LIBOR and the SIFMA index may change from the historic pattern that existed when the swap was entered into. If SIFMA averages higher than 67% of one month LIBOR plus 20 bps, the anticipated savings of the swap will be reduced and may not materialize. On the amended portion, **PAID** is exposed to basis risk if the relationship between five-year LIBOR and SIFMA changes from its historic pattern. This risk would be magnified in a flat or inverted yield curve environment

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued \$1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of \$1.4 billion is reflected in the City's financial statements in Other Long Term Obligations. The net proceeds of the bond sale of \$1.3 Billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments.

(8) Neighborhood Transformation Initiative Service Agreement

In Fiscal 2002, **RDA** issued \$142.6 million in City of Philadelphia Neighborhood Transformation Initiative (NTI) Bonds. These bonds were issued to finance a portion of the initiative undertaken by the Authority and the City to revitalize, renew and redevelop blighted areas of the City. The bonds are obligations of **RDA**. The City entered into a service agreement with **RDA**, agreeing to make yearly payments equal to the debt service on the bonds. **RDA** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2; **RDA** treats this as conduit debt and therefore does not include these transactions on its financial statements.

In Fiscal 2004, **RDA** issued a \$30.0 million City of Philadelphia NTI Taxable Revenue Bond. The **RDA** and the City plan to borrow a taxable bank line of credit (the 2003 Bond) to fund certain costs of the NTI related to the acquisition of property. The line of credit is being issued in anticipation of future long term financing. This will allow the City and **RDA** to better manage the carrying costs of unspent loan proceeds and to possibly issue a portion of the take out financing as tax exempt bonds after obtaining certain state approvals. In fiscal year 2004, \$10.9 million was borrowed from the line of credit.

In March, 2005, **RDA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of \$25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of \$44.0 million, with interest rates ranging from 4.75 through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for \$81.3 million and mature through 2031. The fiscal year 2009 NTI Service Agreement liability of \$259.3 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 2009, the Sports Stadium Financing Agreement liability of \$342.0 million is reflected in the City's financial statements as Other Long Term Liabilities.

(10) Cultural and Commercial Corridors Program Financing Agreement

In December, 2006, **PAID** issued \$135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds will be used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. During fiscal year 2007, none of the proceeds were spent. In fiscal 2009 the liability of \$129.5 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) Forward Purchase Agreements

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

(12) Pension Obligation Bond Option Rights

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

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The SDP has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total \$2,825.2 million in principal, with interest rates from 3.0% to 6.25 % and have due dates from 2010 to 2039. The following schedule reflects the changes in long-term liabilities for the SDP:

(Amounts in Millions of USD)

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	2,613.3	496.6	(284.7)	2,825.2	76.4
Add: Bond Premium	22.5	60.9	(4.4)	79.0	4.6
Less: Bond Discounts	(2.1)	(9.6)	0.3	(11.4)	(0.5)
Total Bonds Payable	2,633.7	547.9	(288.8)	2,892.8	80.5
Termination Compensation Payable	287.5	33.9	(25.8)	295.6	28.2
Severance Payable	164.8	13.2	(9.1)	168.9	10.1
Other Liabilities	140.1	38.9	(34.9)	144.1	36.4
Lease Purchase Agreements	0.8	-	(0.8)	-	-
Deferred Reimbursement	61.4	-	(5.4)	56.0	50.6
Arbitrage Liability	3.8	0.5	-	4.3	-
Early Retirement Incentive	2.1	-	(1.7)	0.4	0.3
Total	3,294.2	634.4	(366.5)	3,562.1	206.1

Debt service to maturity on the SDP's general obligation bonds and lease rental debt at year end is summarized as follows:

(Amounts In Millions of USD)

Fiscal Year	Principal	Interest
2010	76.5	128.2
2011	81.9	124.8
2012	86.2	120.4
2013	88.7	116.5
2014	90.8	113.3
2015-2019	452.5	511.6
2020-2024	542.2	403.2
2025-2029	611.6	272.7
2030-2034	670.0	125.3
2035-2039	124.8	16.2
Totals	2,825.2	1,932.2

- In May 2009, **SDP** issued Bonds Series 2009A, 2009B and 2009C in the amount of \$20.0 million, \$30.7 million and \$49.2 million respectively. Series 2009A has interest rates ranging from 3.675% to 4.827% and mature in 2014. Series 2009B have interest rates ranging from 3.0% to 5.0% and mature in 2019. Series 2009C have a variable rate and mature in 2026. The bonds were issued as repayment of the Series 2004A loan made to SDP by the Authority. The par value of the \$99.9 million for the refunding bonds was offset by a net premium of \$1.7 million.

The net financing of \$100.6 million was (a) deposited into an escrow account with an Escrow Agent who purchased U.S. government securities which was used to retire all of the 2004A Bonds; and (b) used to pay \$1.5 million for underwriting fees, insurance and other issuance costs with the balance being returned to **SDP** as excess refunding proceeds. The Series 2004A bonds were defeased and the liability for these bonds was removed from the district-wide statement of net assets.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.7 million, which is being amortized through the operations in the district-wide statement of net assets until the year 2027.

An analysis of cash flow indicates \$21.5 million more (over the life of the issue) than the cash flow required to service the old debt. In addition, there was an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$6.0 million to **SDP**.

- In November 2008, **SDP** issued fixed-rate General Obligation Bonds Series 2008E in the amount of \$282.4 million. The Bonds have interest rates ranging from 3.5% to 6% and mature in 2039. The bonds will be used for SDP's Capital Improvements Program. Bond proceeds of \$5.5 million were utilized for insurance, underwriting fees, and other bond issuance costs.

(2) Business Type Debt Payable

Several of the City's Proprietary Type Component Units have issued debt payable from the revenues of the particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Millions of USD)

	<u>Interest Rates</u>	<u>Principal</u>	<u>Due Dates</u>
PCCA	5.75 % to 6.88 %	201.8	Fiscal 2010 to 2020
PPA	3.50 % to 5.63 %	201.1	Fiscal 2010 to 2029
PGW	3.0 % to 5.25 %	1,177.8	Fiscal 2009 to 2038
RDA	4.55 % to 4.75 %	<u>19.3</u>	Fiscal 2010 to 2028
Total Revenue Debt Payable		<u>1,600.0</u>	

- In September 2008, **PPA** issued \$49.5 million Series of 2008 Airport Parking Revenue Bonds with interest rates ranging from 2.46% to 4.57% for the purpose of refunding \$50.3 million of outstanding Series 1997 Airport Revenue Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3.5 million. This difference is being charged to operations through 2019. **PPA** completed the refunding to reduce its total debt service payments over the next 10 years by \$2.2 million and to obtain an economic gain (difference between present values of the old and new debt service payments) of \$2.1 million.

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

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

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

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

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

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

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

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

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

(Amounts in Millions of USD)

Fiscal Year	Pennsylvania Convention Center Authority		Philadelphia Parking Authority ‡		Philadelphia Gas Works †		Philadelphia Redevelopment Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	14.2	10.0	7.5	11.6	44.6	53.2	-	0.9
2011	14.9	9.3	9.9	9.9	46.3	51.0	-	0.9
2012	15.6	8.5	10.5	9.4	47.0	48.7	-	0.9
2013	16.4	7.7	11.1	8.8	41.8	46.9	-	0.9
2014	17.3	6.9	9.1	8.3	45.1	45.2	-	0.9
2015-2019	101.1	19.7	53.5	33.6	229.9	192.6	2.3	4.3
2020-2024	22.3	0.7	38.8	21.5	242.5	137.1	4.5	4.1
2025-2029	-	-	50.3	10.1	244.9	81.7	12.5	2.6
2030-2034	-	-	10.4	0.2	140.6	35.1	-	-
2035-2039	-	-	-	-	95.1	8.1	-	-
2040-2044	-	-	-	-	-	-	-	-
Totals	<u>201.8</u>	<u>62.8</u>	<u>201.1</u>	<u>113.4</u>	<u>1,177.8</u>	<u>699.6</u>	<u>19.3</u>	<u>15.5</u>

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2008

‡ - Parking Authority amounts are presented as of its fiscal year ended March 31, 2009

(3) Defeased Debt

At year end, defeased bonds are outstanding from the following Component Units of the City as shown below:

(Amounts In Millions of USD)

Pennsylvania Convention Center Authority	180.8
Philadelphia Gas Works †	262.7
Community College of Philadelphia	26.4
School District of Philadelphia	<u>1,206.4</u>
Total	<u>1,676.3</u>

† - Gas Works amounts are presented as of August 31, 2008

- In November 2008 **SDP** issued fixed-rate General Obligation Refunding Bonds Series 2008F in the amount of \$114.2 million as repayment of the 2003 loan made to SDP by the Dauphin County General Authority (Authority). The par value of the bonds was offset by a net discount of \$976,853.

The net proceeds of \$113.2 million (a) was deposited into an escrow account with the Escrow Agent who purchased a Repurchase Agreement for \$108.9 million which was used to retire all of the 2003A bonds and (b) used to pay \$3.6 million for underwriting fees, insurance and other issuance costs with any excess refunding proceeds returned to **SDP**.

The Series 2003A bonds were defeased and the liability for those bonds were removed from **SDP's** district-wide statement of net assets.

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

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

The investments held by the trustee and the defeased bonds are not recognized on **PGW's** balance sheets in accordance with the terms of the Indentures of Defeasance. The investments pledged for the redemption of the defeased debt have maturities and interest payments scheduled to coincide with the trustee cash requirements for debt service.

At August, 31, 2008, the assets pledged, primarily non-callable U.S. government securities, had a market value of \$278.3 million, bearing interest on face value from 4.30% to 5.89%.

(4) Short-Term Borrowings

The Commonwealth of Pennsylvania agreed to make certain advances of portions of installments of basic education subsidy to **SDP**, thereby eliminating the need for **SDP** to issue its annual tax and revenue anticipation notes. Due to timing factors, the Commonwealth was unable to enact its budget prior to June 30th. Therefore, In July 2008, **SDP** issued \$350.0 million of tax and revenue anticipation notes for a one month period. The Commonwealth advanced **SDP** \$350.0 million and \$150.0 million in July 2008, and November 2008, respectively, covering all of **SDP's** cash flow needs. In August 2008, the note was paid in full.

(5) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. Rebate-able arbitrage earnings occur when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceeds the bond yield paid to investors. As of June 30, 2009, the arbitrage rebate calculation for **SDP** indicated a liability in 2011 (based on current market conditions which could change when actually due and payable) totaling \$4.3 million.

(6) Swaps

City Entity	PGW
Related Bond Series	2006 Refunding
Initial Notional Amount	\$313,390,000
Current Notional Amount	\$311,615,000
Termination Date	8/1/2031
Product	Fixed Payer Swap (1)
Rate Paid by Dealer	Bond Rate/ SIFMA/70% 1-month LIBOR
Rate Paid by City Entity	3.6745%
Dealer	JP Morgan Chase Bank N.A.
Dealer Rating	Aa1/AA-
Fair Value (2)	(33,430,598)

Notes:

(1) PGW pays the lesser of the bond rate and SIFMA from 1/26/2006 to 8/1/2011 and 70% of 1-month LIBOR from 8/1/2011 to 8/1/2031.

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

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

Objective: In January, 2006, the City entered into a swap to synthetically refund all or a portion of several series of outstanding Gas Works Revenue Bonds. The swap structure was used as a means to increase the City's savings, when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed rate structure.

Terms: The swap, executed with JP Morgan Chase Bank, commenced on January 26, 2006, and will mature on August 1, 2031. Under the swap, the City pays a fixed rate of 3.6745% and receives a variable rate computed as the lesser of (i) the actual bond rate and (ii) the SIFMA Municipal Swap Index until September 1, 2011, on which date the variable interest rate received will switch to 70% of one month LIBOR-until maturity. The rates are based on an amortizing notional schedule (with an initial notional amount of \$313.4 million).

As of June 30, 2009, the swap had a notional amount of \$311.6 million and the associated variable rate bond had a \$311.6 million principal amount. The bonds mature on August 1, 2031.

Fair Value: As of June 30, 2009, the swaps had a negative fair value (\$33.4 million). This means that the City would have to pay this amount to terminate the swap. The sole security for payment of the bonds and the swap is Gas Works revenues in the manner set forth in the 1998 Gas Works Revenue Bond Ordinance under which the swap relates were issued.

Risks: As of June 30, 2009, 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. The swap includes an additional termination event based on credit rat-

ings. The swap may be terminated by the City if the ratings of JP Morgan Chase Bank falls below A- or A3, unless JP Morgan Chase Bank has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by JP Morgan Chase Bank of its obligations under the swap.

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

The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase. In addition, after September 1, 2011, the City would be exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70% of one month LIBOR received on the swap.

As of June 30, 2009, the rates were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to JPMorgan under Swap	Fixed	3.6745 %
Variable payment from JPMorgan under Swap	Bond Rate	(0.35000) %
Net interest rate swap payments		3.32450 %
Variable Rate bond coupon payments	Weekly resets	4.2500 %
Synthetic interest rate on bonds		7.5745 %

Swap payments and associated debt: As of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Interest Rate	Total Interest
	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	
2010	1,845,000	13,243,638	10,359,641	23,603,279
2011	1,915,000	13,165,225	10,298,304	23,463,529
2012	1,990,000	13,083,838	10,234,639	23,318,477
2013	2,070,000	12,999,263	10,168,482	23,167,745
2014	5,235,000	12,911,288	10,099,665	23,010,953
2015 - 2019	58,755,000	58,784,300	45,983,154	104,767,454
2020 - 2024	87,515,000	44,115,850	34,508,975	78,624,825
2025 - 2029	122,810,000	22,673,325	17,735,875	40,409,200
2030 - 2032	29,480,000	2,260,788	1,768,468	4,029,256
Totals	<u>311,615,000</u>	<u>193,237,515</u>	<u>151,157,203</u>	<u>344,394,718</u>

b. The School District of Philadelphia Swap 2004

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

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

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

c. The School District of Philadelphia 2008 Swap Agreements

	Amount	Relating to General Obligaion Bond Series	GO Bond Sub Series
\$	95,000,000	2008A	A-1
	78,475,000	2008A	A-2
	80,000,000	2008A	A-3
	60,000,000	2008B	B-1
	54,200,000	2008B	B-2
	64,900,000	2008B	B-3
	70,000,000	2008B	B-4
	91,000,000	2008C	C-1
	58,900,000	2008D	D-1
	18,225,000	2008D	D-2

Terms, fair values and credit risk: The terms, including the fair values and credit ratings of the bank counterparties on the outstanding swaps as of June 30, 2009 are as follows:

RELATED BONDS	PAYS	RECEIVES	MATURITY DATE	INITIAL NOTIONAL (USD)	CURRENT NOTIONAL (USD)	BANK COUNTERPARTY	COUNTERPARTY CREDIT RATING (Moody's/S&P/Fitch)	TOTAL VALUES (USD)
Series 2003	SIFMA Swap Index	67% of USD LIBOR + 0.2788%	5/15/2033	150,000,000	150,000,000	Wachovia Bank	Aa2/AA/AA	(12,559,614)
Series 2003	SIFMA Swap Index	67% of USD LIBOR + 0.2788%	5/15/2033	350,000,000	350,000,000	JP Morgan Chase Bank N.A.	Aa1/AA/JAA	(29,305,766)
Series 2008 B-1	3.7670%	58.5% of USD LIBOR + 0.27%	09/01/2030	60,000,000	60,000,000	Wachovia Bank	Aa2/AA/AA	(9,146,403)
Series 2008 B-2	3.7670%	58.5% of USD LIBOR + 0.27%	09/01/2030	54,200,000	54,200,000	Wachovia Bank	Aa2/AA/AA	(8,261,972)
Series 2008 B-3	3.7670%	58.5% of USD LIBOR + 0.27%	09/01/2030	64,900,000	64,900,000	Wachovia Bank	Aa2/AA/AA	(9,887,909)
Series 2008 A-1	3.8150%	58.5% of USD LIBOR + 0.27%	09/01/2030	95,000,000	95,000,000	Morgan Stanley Capital Services, Inc.	A2/A/A	(15,075,059)
Series 2008 A-2	3.7610%	58.5% of USD LIBOR + 0.27%	09/01/2030	78,475,000	78,475,000	Goldman Sachs Capital Markets, LLP	Aa3/A/A+	(11,879,283)
Series 2008 D-1	3.6838%	60.4% of USD LIBOR + 0.32%	09/01/2021	59,025,000	58,900,000	Goldman Sachs Capital Markets, LLP	Aa3/A/A+	(5,466,918)
Series 2008 C-1	3.7350%	60.4% of USD LIBOR + 0.32%	09/01/2021	91,000,000	91,000,000	Morgan Stanley Capital Services, Inc.	A2/A/A	(8,790,267)
Series 2008 A-3	3.6890%	60.4% of USD LIBOR + 0.32%	09/01/2021	80,000,000	80,000,000	Goldman Sachs Capital Markets, LLP	Aa3/A/A+	(7,368,420)
Series 2008 B-4	3.6890%	60.4% of USD LIBOR + 0.32%	09/01/2021	70,000,000	70,000,000	Goldman Sachs Capital Markets, LLP	Aa3/A/A+	(6,446,423)
Series 2008 D-2	3.2400%	58.5% of USD LIBOR + 0.27%	09/01/2011	38,475,000	18,225,000	Merrell Lynch Capital Services	A2/A/A+	(553,100)
								<u>(124,741,133)</u>

Fair Value: The swaps had a total negative fair value of (\$124.7 million) as of June 30, 2009. As of the prior reporting period of June 30, 2008, when the prevailing interest rates were higher, the swaps had a negative fair value of (\$65.2 million). The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

Credit Risk: In compliance with the applicable requirements of the Local Government Unit Debt Act (53 Pa. Cons. Stat. 8281) (the "Debt Act"), amended in September, 2003, **SDP** adopted a written interest rate management plan pursuant to a resolution of the School District Reform Commission, authorized in February, 2004, to monitor the credit rating of each counterparty and credit enhancer, if any, insuring qualified interest rate management agreement payments. The **SDP** entered into fixed-to-floating swaps with counterparties having at least one rating of "AA" or higher from Standard & Poor's or "Aa" or higher from Moody's at the time of execution. As of June 30, 2009, **SDP** was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, **SDP** would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreements contain varying one-way collateral agreements with the counterparties. The swaps require collateralization by the counterparty of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

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

The basis risk on the basis swaps is the risk that benchmark tax-exempt interest rates paid by **SDP** on each basis swap differ from the variable swap rate received from the applicable counterparty on the related swap. The **SDP** bears basis risk on each of its basis swaps since the **SDP** receives a percentage of LIBOR and pays the tax-exempt benchmark SIFMA. The **SDP** is exposed to basis risk should the floating rate that it receives on a swap plus the spread is less than SIFMA **SDP** pays on the swaps. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the basis swap may not be realized.

Termination Risk: **SDP** can terminate a swap at any time at the fair market value; the counterparty to a swap may only terminate a swap upon the occurrence of certain termination events under the terms thereof. If a fixed-to-floating swap is terminated, the related variable-rate bonds would no longer be hedged to a fixed rate; if a basis swap is terminated, the associated expected savings on the fixed-rate bonds would no longer be recognized. If at the time of termination the swap has a negative fair value, **SDP** would be liable to the counterparty for a payment equal to the swap's fair value.

(7) Other Long-Term Debt

At June 30, 2008 **PGW** owed the City \$22.5 million that the City had loaned to them in FY2001. During the first half of FY2009 **PGW** returned all of the funds.

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)	<u>Primary Government</u>		<u>Component Units</u>
	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	
Minimum Rentals	12,502	27,254	4,147
Additional Rentals	-	148,748	50
Sublease	<u>10,709</u>	<u>-</u>	<u>1,133</u>
Total Rental Income	<u>23,211</u>	<u>176,002</u>	<u>5,330</u>

Future minimum rentals receivable under non-cancelable operating leases are as follows:

(Amounts In Thousands of USD) Fiscal Year Ending June 30	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
2010	3,484	18,608	5,502
2011	3,601	14,582	5,212
2012	3,724	13,577	4,098
2013	3,851	13,177	3,107
2014	3,984	7,045	4,550
2015-2019	21,497	31,293	4,283
2020-2024	24,482	18,963	3,161
2025-2029	29,441	12,366	1,741
2030-2034	35,432	10,320	899
2035-2039	-	-	940
2040-2044	-	-	811
2045-2049	-	-	793
2050-2054	-	-	793
2055-2059	-	-	793
2060-2064	-	-	793
2065-2069	-	-	793
2070-2074	-	-	793
2075-2079	-	-	793
2080-2084	-	-	777
2085-2089	-	-	698
Total	<u>129,496</u>	<u>139,931</u>	<u>41,330</u>

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:

	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	153,935	18,062	19,719
Additional	4,440	10,559	-
Sublease	<u>448</u>	<u>-</u>	<u>471</u>
Total Rental Expense	<u>158,823</u>	<u>28,621</u>	<u>20,190</u>

As of year end, future minimum rental commitments for operating leases having an initial or remaining non-cancelable lease term in excess of one year are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
2010	30,999	1,678	14,656
2011	31,282	1,064	11,017
2012	31,398	772	9,977
2013	28,841	492	9,349
2014	24,544	91	9,481
2015-2019	100,299	45	27,732
2020-2024	24,515	-	2,864
2025-2029	677	-	-
2030-2034	-	-	-
2035-2039	-	-	-
2040-2044	-	-	-
Total	272,555	4,142	85,076

2) CAPITAL LEASES

Capital leases consist of leased real estate and equipment from various component units. Future minimum rental commitments are as follows:

Fiscal Year Ending June 30	Component Units
2010	1,408
2011	1,143
2012	829
2013	595
2014	595
2015 -2019	3,273
2020 -2024	1,179
Future Minimum Rental Payments	9,023
Interest Portion of Payments	(2,143)
Obligation Under Capital Leases	6,880

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, 2009, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASBS #32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements.

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As of the Gas Works' fiscal year ended August 31, 1999 the Plan was amended to comply with subsection (g) of the code through the creation of a trust in which all assets and income of the Plan are to be held for the exclusive benefit of participants and their beneficiaries. As a result, the company no longer owns the assets of the Plan nor has a contractual liability to Plan participants.

10. FUND BALANCE RESERVATIONS

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

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

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

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

Reserved for Stadium Financing- An account used to segregate a portion of Fund Balance that represents amounts that were restricted for debt service for Stadium Financing.

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

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

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

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

(Amounts In Millions of USD)	Health Choices			Total
	General Fund	Behavioral Health Fund	Grants Revenue Fund	
Reserved Fund Balance:				
Reserved for Encumbrances	102.8	-	-	102.8
Reserved for Neighborhood Revitalization	-	-	74.6	74.6
Reserved for Behavioral Health	-	188.7	-	188.7
Reserved for Intergov Financed Programs	-	-	12.1	12.1
Reserved for Emergency Phone System	-	-	38.8	38.8
Reserved for Central Library Project	4.7	-	-	4.7
Reserved for Stadium Financing	1.7	-	-	1.7
Reserved for CCC Project	89.8	-	-	89.8
Total Reserved Fund Balance	199.0	188.7	125.5	513.2

11. INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds. These transactions are recorded as operating transfers and are reported as other financial sources (uses) in the Governmental Funds and as transfers in the Proprietary Funds. Some of the more significant transfers are: the PICA administrative fund collects a portion of the wage tax paid by City residents and transfers funds that are not needed for debt service and administrative costs to the general fund. Also, the general fund and the PICA administrative fund make transfers to the debt service funds for principal and interest payments.

Transfers between fund types during the year were:

(Amounts in Thousands of USD)	Governmental	Transfers To:			Total
		Non major Governmental			
Transfers From:	General	Special Revenue	Debt Service	Capital Improvement	
General	-	1,500	119,925	1,322	122,747
Grants	4,771	-	-	8,364	13,135
Non major Special Revenue Funds	364,288	-	69,320	841	434,449
Water Fund	4,186	-	-	-	4,186
Total	373,245	1,500	189,245	10,527	574,517

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government fund balance sheet (Exhibit III) includes reconciliation to the Net Assets of Governmental Activities. One element of that reconciliation states that "Long Term Liabilities, including bonds payable, are not reported in the funds". The details of this difference are as follows:

(Amounts in Millions of USD)

Bonds Payable	2,078.8
Service Agreements	2,233.6
Employee Related Obligations	466.4
Indemnities	37.6
Total Adjustment	<u>4,816.4</u>

13. PRIOR PERIOD ADJUSTMENTS

A. PRIMARY GOVERNMENT

- Water Fund Net Assets beginning balance was increased by \$6.8 million representing the net effect of a \$0.6 million decrease to construction in progress and an increase of \$7.4 million for the addition of water main and sewer lines built by private developers in the previous three years.
- **PMA** restated net deficit as of June 30, 2008 from \$75.6 million to \$99.7 million. The \$24.1 million increase was due to a recalculation of accretion long term interest payable, which was erroneously reported as \$5.2 million instead of \$29.3 million.

B. COMPONENT UNITS

- **SDP** district-wide net assets beginning balances were decreased by \$1.4 million. These adjustments involved correction for overstated capital assets of \$395,319, overstated accumulated depreciation of \$37,832, understated bond issuance costs of \$7,866 and understated bond premiums of \$57.1 million and understated deferred refunding charges of \$56.1 million related to computation of debt defeasance costs.
- **RDA** restated various balances on its statement of net assets as of June 30, 2008 as a result of the overstatement of interest receivable and interest payable to the City related to the Reading Terminal Headhouse loan and the adjustment of the fair market value of restricted mortgage receivables. Based on the recalculation of the accrued interest receivable and the interest payable, **RDA's** total long-term accrued interest receivable and interest payable as of June 30, 2008 should have been \$13,956,138 and \$13,267,813 respectively, instead of \$16,366,033 and \$15,677,708 as previously stated. The restatement decreased interest receivable and payable during the year ended June 30, 2008 by \$2,409,895. The restatement had zero impact on net assets.

14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports \$1,345.0 million of restricted net assets, of which \$40.6 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Assets	Restricted by Enabling Legislation
Capital Projects	398,383	-
Debt Service	329,245	-
Behavioral Health	183,332	-
Intergovernmental Finance	12,119	-
Neighborhood Revitalization	74,623	-
Stadium Financing	1,659	-
Central Library Project	4,727	-
CCC Project	89,847	-
Grant Programs	69,696	18,558
Rate Stabilization	147,637	-
Libraries & Parks:		
Expendable	2,670	-
Non-Expendable	3,752	-
Other	27,326	22,069
Total	1,345,016	40,627

15. FUND DEFICITS

- a) The General Fund has a Fund Balance Deficit at year end of \$75.6 million
- b) The Community Development Fund, which is a Special Revenue fund, has a Fund Balance deficit at year end of \$5.0 million.

16. ADVANCE SERVICE CHARGE

The City's Water Fund Regulations provide for the assessment of an "Advance Service Charge" (ASC) at the time a property is initially connected to the system. The initial charge is calculated to be the equivalent of three (3) monthly service charges. This long-standing practice of assessing an initial charge equivalent to the average of three monthly service charges has been consistent whether the billing period was semi-annually (through 1979), quarterly (1979-1994) or monthly (1994-current). The Fund includes these charges in current revenues at the time they are received. Fund regulations also provide for a refund of any advance service charges upon payment of a \$100 fee and permanent disconnection from the system.

During the current fiscal year 423 disconnection permits were issued resulting in a refund or final credit of approximately \$448,000 and 874 new connection permits were issued resulting in additional advance service charges of approximately \$261,000.

IV. OTHER INFORMATION

1. PENSION PLANS

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

A. SINGLE EMPLOYER PLANS

The two plans maintained by the City are the Municipal Pension Plan (City Plan) and the Gas Works Plan (PGW Plan). The plan maintained by the City's component unit is the Redevelopment Authority of the City of Philadelphia Retirement Plan (RDA Plan).

Financial statements for the City and PGW pension plans are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements.

Required Supplementary Information calculated in accordance with GASBS #25 is presented in audited financial statements of the respective pension plans. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

1) City Plan

a) Plan Description

The Philadelphia Home Rule Charter (the Charter) mandates that the City maintain an actuarially sound pension and retirement system. To satisfy that mandate, the City's Board of Pensions and Retirement maintains the single-employer Municipal Pension Plan (the Plan). The plan covers all officers and employees of the City and officers and employees of five other governmental and quasi-governmental organizations. By authority of two Ordinances and related amendments passed by City Council, the Plan provides retirement benefits as well as death and disability benefits. Benefits vary by the class of employee. The plan has two major classes of members - those covered under the 1967 Plan and those covered under the 1987 Plan. Each of these two plans has multiple divisions.

Retirement Benefits

An employee who meets the age and service requirements of the particular division in which he participates is entitled to an annual benefit, payable monthly for life, equal to the employee's average final compensation multiplied by a percentage that is determined by the employee's years of credited service. The formula for determining the percentage is different for each division. If fund earnings exceed the actuarial assumed rate by a sufficient amount, an enhanced benefit distribution to retirees, their beneficiaries, and their survivors shall be considered. A deferred vested benefit is available to an employee who has 10 years of credited service, has not withdrawn contributions to the system and has attained the appropriate service retirement age. Members of both plans may opt for early retirement with a reduced benefit. The **Deferred Retirement Option Plan (DROP)** was initiated on October 1, 1999. Under this plan employees that reach retirement age may accumulate their monthly service retirement benefit in an interest bearing account at the Board of Pensions for up to four (4) years and continue to be employed by the City of Philadelphia.

Death Benefits

If an employee dies from the performance of duties, his/her spouse, children or dependent parents may be eligible for an annual benefit ranging from 15% to 80% of the employee's final average compensation. Depending on age and years of service, the beneficiary of an employee who dies other than from the per-

formance of duties will be eligible for either a lump sum benefit only or a choice between a lump sum or an annual pension.

Disability Benefits

Employees disabled during the performance of duties are eligible for an immediate benefit equal to contributions plus a yearly benefit. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned. Certain employees who are disabled other than during the performance of duties are eligible for an ordinary disability payment if they apply for the benefit within one year of termination. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned.

Membership

Membership in the plan as of July 1, 2008 was as follows:

Retirees and beneficiaries currently receiving benefits	35,405
Terminated members entitled to benefits but not yet receiving them	1,263
Active members	<u>29,215</u>
Total Members	<u>65,883</u>

The Municipal Pension Fund issues a separate annual financial report. To obtain a copy, contact the Director of Finance of the City of Philadelphia.

b) Funding Policy

Employee contributions are required by City Ordinance. For Plan 67 members, employees contribute 3¾% of their total compensation that is subject to FICA and 6% of compensation not subject to FICA. Plan 87 contribution rates are defined for the membership as a whole by Council ordinance. Rates for individuals are then determined annually by the actuary so that total individual contributions satisfy the overall rate set by Council.

The City is required to contribute the remaining amounts necessary to fund the Plan, using an acceptable actuarial basis as specified by the Home Rule Charter, City Ordinance and State Statute. Court decisions require that the City's annual employer contributions are sufficient to fund:

- The accrued actuarially determined normal costs
- Amortization of the unfunded actuarial accrued liability determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries (the Dombrowski suit) is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.
- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:
 - non active member's benefit modifications (10 years)
 - experience gains and losses (15 years)
 - changes in actuarial assumptions (20 years)
 - active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to \$524.1 million or 35.4% of the covered payroll of \$1,462.5 million. The City's actual contribution was \$440.0 million. The City's contribution met the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189. The Annual Pension Cost and related percentage contributed for the three most recent fiscal years are as follows:

(Millions of USD)

Fiscal Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2007	556.3	75.36%	(680.5)
2008	561.0	76.10%	(559.5)
2009	559.0	81.47%	(456.0)

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2008. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a five-year smoothed market value method for valuing investments
- a level percentage closed method for amortizing the unfunded liability
- an annual investment rate of return of 8.75%
- projected annual salary increases of 5% (including inflation)
- annual inflation of 2.75%
- no post-retirement benefit increases

Administrative costs of the Plan are paid out of the Plan's assets.

c) Funding Status

The following schedule shows the funding status based on the latest actuary report. The schedule of funding progress, which presents multiyear trend information about whether the actuarial value of plan assets is decreasing over time relative to the actuarial accrued liability for benefits, can be found in the Required Supplementary Information section immediately following the Notes to the Financial Statements.

(Millions of USD)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%

d) Net Pension Obligation

The City and other employers' annual pension cost and net pension obligation (NPO) for the Municipal Pension Plan for the current year were as follows:

(Thousands of USD)

Annual Required Contribution (ARC)	539,464
Interest on Net Pension Obligation (NPO)	(48,957)
Adjustment to ARC	68,399
Annual Pension Cost	<u>558,906</u>
Contributions Made	<u>(455,389)</u>
Increase in NPO	<u>103,517</u>
NPO at beginning of year*	<u>(559,505)</u>
NPO at end of year	<u>(455,988)</u>
Interest Rate	8.75%
15 Year amortization Factor (EOY)	8.18%

e) **Summary of Significant Accounting Policies**

Financial statements of the Plan are prepared using the accrual basis of accounting. Contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds paid are recognized when due and payable in accordance with the terms of the plan. Investments are valued as described in Footnote I.4.

2) **Gas Works Plan**

a) **Plan Description**

PGW sponsors a public employee retirement system (PERS), a single-employer defined benefit plan to provide benefits for all its employees. The **PGW** Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

- 1.25% of the first \$6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over \$6,600, times years of credited service, with a maximum of 60% of the highest annual earnings during the last 10 years of credited service, applicable to all participants
- OR
- 2% of total earnings received during the period of credited service plus 22.5% of the first \$1,200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

Final-average earnings is the employees' average pay, over the highest 5 years of the last 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

At September 1, 2007 the beginning of the Plan Year of the last actuarial valuation, the Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,151
Current Employees	<u>1,665</u>
Total Members	<u>3,816</u>

b) Funding Policy

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Covered employees are not required to contribute to the PGW Pension Plan. The Gas Works is required by statute to contribute the amounts necessary to finance the Plan.

The funding policy of the PGW Plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentage of employer contribution rates are based on the actuarial accrued liability as determined by using the Projected Unit Credit actuarial funding method. The actuarial asset value is equal to the value of fund assets. The unfunded actuarial accrued liability is being amortized using the open method. Contributions of \$15.2 million (approximately 2.0% of covered payroll) were made to the PGW Plan during the year.

Historically, payments to beneficiaries of the PGW Plan are made by the Fund and not from the assets of the Plan. During the year, payments to beneficiaries exceeded the Fund's actuarially computed pension contribution and a withdrawal of \$18.6 million from the pension assets was necessary to meet beneficiary payment obligations.

c) Funding Status

The funded status of the PGW plan as of September 1, 2007 the most recent actuarial valuation is as follows (amounts in thousands):

(Amounts In Thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded/ (Over Funded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
09/01/2007	\$416,183	\$482,380	(\$66,197)	86.3%	\$102,958	64.3%

The analysis of pension funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Amortization Method	Level percent open
Remaining Amortization Period	20 years

d) Annual Pension Cost

PGW's annual pension cost for the current year was \$14,258,000 equal to its required contribution. The annual required contribution for the current year was determined based on an actuarial study or updates thereto, using the projected unit credit method. Significant actuarial assumptions used include an annual rate of return on investments of 8.25%, compounded annually, projected salary increases of 3.00% of the salary at the beginning of the next three years, then 4.25% of the salary at the beginning of the fourth and subsequent year, and retirements that are assumed to occur prior to age 62, at a rate of 10% at 55 to 61 and 100% at age 62. The assumptions did not include post retirement benefit increases.

The Annual Pension Cost and related percentage contributed for the three most recent fiscal years is as follows:

(Amounts in Millions of USD)

Fiscal Year Ended <u>August 31</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2006	17.6	100%
2007	15.2	100%
2008	14.3	100%

e) **Summary of Significant Accounting Policies**

The financial statements of the Plan are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Plan investments are reported at fair value based on quoted market price for those similar investments.

3) **Component Unit - Redevelopment Authority Plan**

a) **Plan Description**

The **RDA** contributes to the Redevelopment Authority of the City of Philadelphia Retirement Plan (the Plan) which is a single-employer defined benefit pension plan. **RDA** does not issue separate financial statements for its pension plan.

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

b) **Funding Policy**

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

c) **Annual Pension Cost**

The contribution for the Plan for Fiscal 2009 of \$1.9 million (approximately 46% of covered payroll, representing normal cost) was determined in accordance with actuarially determined requirements computed through the actuarial valuation performed as of January 1, of each respective year using the aggregate cost method. The **RDA** contributed \$1,677,136 and the employees contributed \$244,679 (approximately 7% of current covered payroll).

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

The actuarial value of assets was determined based on contractual value, which approximated fair value. As of the latest actuarial valuations, performed as of January 1, 2009 the actuarial accrued liability was \$50.3 million and the actuarial value of assets was \$34.8 million. The Unfunded Actuarial Accrued Liability (UAAL) over the actuarial value of asset is \$15.4 million. The UAAL is being amortized over the average lifetime of active plan participants. The portion of the UAAL arising from actuarial gains and losses is amortized over a 15-year period.

The Net Pension (Benefit) Obligation as of June 30, 2009 is as follows:

	Amounts in Thousands
Annual Required Contribution	2,467.6
Interest On Net Pension Obligation	0.4
Adjustment to Annual Required Contribution	<u>(0.7)</u>
Annual Pension Cost	<u>2,467.3</u>
Contributions Made	<u>(1,677.2)</u>
Increase In Net Pension Obligation	790.1
Net Pension Obligation - Beginning of Year	<u>(606.2)</u>
Net Pension Obligation - End of Year	<u><u>183.9</u></u>

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

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2007	893.8	117%	(198.5)
2008	896.1	101%	(606.2)
2009	2,467.3	100%	183.9

d) **Funding Status and Funding Progress**

The funding status of the pension plan as of January 1, 2009, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age Normal Cost Method</u>	<u>Unfunded Actuarial Liability (UAL) (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
	(a)	(b)	(b - a)	(a / b)	(c)	(b - a) / c
01/01/2009	\$34,850	\$50,256	\$15,406	69.34%	\$3,384	455.26%
01/01/2008	\$48,014	\$49,915	\$1,901	96.19%	\$3,364	56.51%

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

B. MULTIPLE EMPLOYERS PLANS

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

The payroll for CCP employees covered by any of the four multiple employer plans was \$57.5 million and the total payroll was \$69.7 million. Contributions to the four plans by the CCP during the fiscal year totaled approximately \$4.9 million representing 8.57% of covered payroll. CCP employees contributed approximately \$4.2 million.

1) Public School Employee Retirement System (PSERS)

a) Plan Description

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

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

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

b) Funding Policy

Contribution policy is established by the Code and requires contributions from active members, employers and the Commonwealth. Most active members contribute at 5.25% of qualifying compensation. Members joining the PSERS on or after July 22, 1983 contribute at 6.25% (class TC) or 7.50% (class TD). The employer rate is actuarially determined. The rate for fiscal year 2009 was 4.76%, and is composed of a pension contribution rate of 4.00% for pension benefits and .76% for health insurance premium assistance. The SDP's contributions for the last three years are as follows:

(Amounts in Millions of USD)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	69.3	100%
2008	78.2	100%
2009	58.4	100%

2) **State Employees Retirement System (SERS)**

a) **Plan Description**

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

b) **Funding Policy**

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

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

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

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	171.9	100%
2008	172.7	100%
2009	191.9	100%

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

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

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

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

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

a) Plan Description

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

The **CCP** contributions for each employee (and interest allocated to the employee's account), are fully vested. Death benefits in the amount of the full present value of accumulation are provided to the beneficiary of participants who die prior to retirement. There are a variety of payments available. The **CCP** has 1,148 employees participating in this plan.

b) Funding Policy

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

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. SDP employees have an unlimited maximum accumulation and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 50% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

Plan description: The City of Philadelphia self-administers a single employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees. Certain union represented employees may defer their coverage until a later date but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to \$7,500 coverage and all other employees receive \$6,000 in coverage. The plan does not issue stand alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

Funding Policy The City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts or pays the health care providers directly for non unionized employees. For fiscal year 2009, the City paid \$76.6 million for retiree healthcare.

Annual OPEB Cost and Net OPEB Obligation:: The City's annual other post employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation (dollar amount in thousands)

City of Philadelphia OPEB

	(Amounts in Thousands)
Annual required contribution	98,697
Interest on net OPEB obligation	183
Adjustment to ARC	(147)
Annual OPEB cost	<u>98,733</u>
Payments made	<u>(81,251)</u>
Increase/(Decrease) in net OPEB Obligation	17,482
Net OPEB obligation - beginning of year	<u>3,668</u>
Net OPEB obligation - end of year	<u><u>21,150</u></u>

The City of Philadelphia's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2009 was as follows:

amounts in thousands USD			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2009	\$ 98,733	82%	\$ 21,150
6/30/2008	83,373	96%	3,668

Funded Status and Funding Progress: As of July 1, 2008, the most recent actuarial valuation date, the City is funding OPEB on a pay as you go basis and accordingly, the unfunded actuarial accrued liability for benefits was \$1.2 billion. The covered annual payroll was \$ 1.5 billion and the ratio of the UAAL to the covered payroll was 79.0 percent.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projections of future benefit payments for an ongoing plan obligation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the obligation and the contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of costs for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point.

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. Unfunded liabilities are funded over a 30 year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4% per year. The actuarial assumption included a 3.5% compound annual interest rate on the City's general investments.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of post-employment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occurs, rather than in the future when it will be paid. In adopting the requirements of GASB 45, during the year ended June, 2008, **SDP** recognizes the costs of post-employment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provide information useful in assessing potential demands of the **SDP's** future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing in 2008.

Plan description: **SDP** provides up to \$2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or 35 years of service regardless of age. Disabled employees' eligibility is determined by the insurance company providing the coverage. An un-audited copy of the life insurance benefit plan can be obtained by writing to the School District of Philadelphia, 440 North Broad Street, Philadelphia, PA. 19130; Attention: Benefits Management.

Funding Policy: **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. The number of eligible participants enrolled to receive such benefits as of June 30, 2008, the effective date of the bi-annual OPEB valuation is below. There have been no significant changes in the number covered or the type of coverage since that date.

	Number of <u>Employees</u>	Average <u>Age</u>
Active		
Represented	14,661	47.1
Non-Represented	1,071	49.9
Retirees	8,556	75.6
Disabled	<u>148.0</u>	<u>57.7</u>
	<u>24,436</u>	<u>57.6</u>

Annual OPEB Cost and Net OPEB Obligation: The SDP's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal Cost Method. Under this method, a contribution is determined that consists of the normal cost and the unfunded actuarial liability payment. The normal cost for each employee is derived as a level contribution from entry age to assumed retirement age. The accumulation of normal costs for service already completed is the Actuarial Accrued Liability, which under GASB 45 may be amortized over no more than 30 years. The following table shows the elements of SDP's annual OPEB cost for the year, the amount paid in behalf of the plan, and changes in SDP's net OPEB obligation to the plan for the year ended June 30, 2009.

	(USD)
Annual required contribution	640,650
Interest on net OPEB obligation	<u>-</u>
Annual OPEB cost/(expense)	640,650
Payments made	<u>(640,650)</u>
Increase/(Decrease) in net OPEB obligation	-
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>-</u>

The schedule of funding progress presents the results of Other Post-employment Benefits (OPEB) valuation as of July 1, 2008 for the fiscal year ending June 30, 2008. Looking forward, the schedule will eventually provide multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Actuarial Unfunded/ AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
06/30/2008	\$0	\$13,862,000	\$13,862,000	0.0%	N/A	N/A

Note: As of June 30, 2008, the plan is not funded and therefore there are no assets. Payroll is assumed to increase at an average rate of 4.00% per year. (N/A = not applicable – life insurance benefit is not based upon payroll)

SDP's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
6/30/2008	\$ 591,379	100%	\$ -
6/30/2009	\$ 640,650	100%	\$ -

Basis of Accounting: As defined by GASB #45, if the amount of expenditures recognized during the current year is not equal to the annual OPEB cost, the difference is added or subtracted to the net obligation. SDP's policy is to recognize an expense equal to what is contributed as long as it satisfies the requirement for GASB Statement #45.

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

Active	\$	3,316,000
Inactive		<u>10,546,000.0</u>
Total	\$	<u>13,862,000</u>

Actuarial Methods and Assumptions: The actuarial assumptions used in the June 30, 2008 OPEB actuarial valuations are those specific to the OPEB valuations:

- Investment return (discount rate) not fully funded: 4.00%
- Mortality for healthy and disabled participants: The Uninsured Pensioner 1994 Mortality Table (UP94) projected for 10 years, with an age set back one year for males and females.
- Payroll increases: Payroll is assumed to increase at an average rate of 4.00% per year.
- No actuarial liability is included for non-vested participants who terminated prior to the valuation date.
- Withdrawal: During the first 5 years of service withdrawal rates were assumed ranging from 24.49% to 10.88%.
- After 5 years of service retirement rates ranged from 11.31% at age 55 through 100% at ages 70 and above.
- Disability incidents were as follows:

Attained Age	Withdrawal	Percentage Disability Incidence	
		Male	Female
25	24.75%	0.016%	0.027%
30	18.01%	0.016%	0.027%
35	10.98%	0.067%	0.053%
40	7.91%	0.120%	0.087%
45	6.71%	0.120%	0.120%
50	4.03%	0.187%	0.167%
55	3.81%	0.287%	0.320%
60	6.40%	0.387%	0.320%
65	13.63%	0.067%	0.107%

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

Philadelphia Gas Works (PGW) OPEB

Plan description: PGW provides certain health care and life insurance benefits for approximately 1,920 retired employees and their dependents. PGW recognizes the cost of providing these benefits by charging the annual insurance premiums to expense.

Funding Policy: PGW pays 100% of premiums for basic medical, hospitalization, and prescription drugs incurred by retirees and their dependents. The company also pays a portion of the premium for life insurance for each eligible retiree. PGW currently provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go basis. Total expenses incurred for health care amounted to \$34.2 million, of which approximately 48.1% relates to retirees and their dependents. Total premiums for group life insurance amounted to \$2.1 million of which approximately 71.0% relates to retirees.

Actuarial Valuation and Assumptions: PGW engaged an actuarial consulting firm to provide an actuarial valuation of its OPEB obligations as of August 31, 2008. The actuarial valuations involve estimates of the value reported amounts and the assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations, and new estimates are made about the future. The calculations were based on the types of benefits provided under the terms of the substantive plan at the time of the valuation.

PGW's annual other post employment benefit (OPEB) expense is calculated based on the projected unit cost method. Under this method of calculation the present value of benefits is allocated uniformly over the employee's expected working lifetime. The actuarial accrued liability is that portion of the present value of projected benefits, which has been accrued during the employees' working time from hire to valuation date. The normal cost represents the amount charged for services earned during the current reporting period. The normal cost is calculated by dividing the present value of projected benefits for an employee by the total service.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the calculation of PGW's OPEB liability for FY2008. This amount has been recorded in other liabilities and deferred credits and has been expensed in FY2008

	(Amounts in Thousands)
Annual required contribution	44,114
Interest on net OPEB obligation	-
Annual OPEB cost	<u>44,114</u>
Payments made	<u>(18,280)</u>
Increase/(Decrease) in net OPEB obligation	25,834
Net OPEB obligation - beginning of year	<u>26,421</u>
Net OPEB obligation - end of year	<u><u>52,255</u></u>

Redevelopment Authority (RDA) OPEB

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

Funding Policy: Starting in FY2008, RDA's financial statements reflect the accrual of expenses in accordance with GASB Statement #45. Formerly, RDA accounted for, and financed expenses on a pay-as-you-go basis. For the year ended June 30, 2009, \$632,445 was actually paid on behalf of a total of 47 retirees.

Certain retirees are required to contribute nominal amounts towards health insurance. The remainder of the post-employment benefits cost is funded by **RDA** on a pay-as-you-go basis. A group of retirees who retired during the fiscal years 1969 through 1975 receive benefits of life and health insurance for which the retirees contribute approximately 96% of the total benefit cost. The remainder is funded on a pay-as-you-go basis, and the benefits are provided until the death of the retiree.

Annual OPEB Cost and Net OPEB Obligation: **RDA's** OPEB expenses are calculated based on the annual required contribution of the employer (ARC). The ARC and related information was actuarially determined using the entry age normal cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of June 30, 2009, is included in the OPEB liability in **RDA's** Statement of Net Assets.

The following table shows the components of the **RDA's** annual OPEB cost for the year, the amount actually contributed to the plan, and changes in **RDA's** net OPEB obligation to the Retiree Health Plan:

<u>RDA OPEB</u>	
	(USD)
Normal Cost	393,607
UAAL Amortization	510,390
Adjustment to ARC	<u>(5,466)</u>
Total Annual OPEB Cost	898,531
Contributions Made (pay-as-you-go expds)	<u>(632,445)</u>
Increase in net OPEB obligation	266,086
Net OPEB obligation - beginning of year	<u>363,179</u>
Net OPEB obligation - end of year	629,265

RDA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the changes in **RDA's** net OPEB obligation to the Retiree Health Plan for fiscal year 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2009	\$ 898,531	69%	\$ 629,265
6/30/2008	520,597	56%	363,179

Funded Status and Funding Progress: As of June 30, 2009, the actuarial accrued liability for benefits was \$7.8 million, all of which was unfunded. Actuarial value of assets was \$0, resulting in a UAAL of \$7.8 million.

The projections of future benefit payments for an ongoing plan's ongoing obligation involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the obligation and the contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to re-

duce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Assumptions include a retirement rate of 100% at the age of 56, mortality rates RP-2000 Combined Mortality Table, and a payroll growth rate with projected salary increases of 6.00% per year. The healthcare claims costs were determined based on premium information supplied by the RDA, with pre 65 premiums being adjusted to reflect retiree-specific experience and a standard turnover assumption was based on GASB 45 paragraph 35b. Healthcare costs are expected to increase at the following rates:

Year	Trend
2009	10.0%
2010	9.0%
2011	8.0%
2012	7.0%
2013	6.0%
2014+	5.0%

Based on the historical and expected returns of **RDA's** short-term investment portfolio, a discount rate of 5% was used. The amortization cost for the initial UAAL is a level dollar amount for a period of 30 years. The remaining amortization period at June 30, 2009, was 28 years.

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

PICA, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non voting members. The Governor of Pennsylvania, the President Pro Tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member to the Board.

The Act provides that, upon **PICA's** approval of a request of the City to **PICA** for financial assistance, **PICA** shall have certain financial and oversight functions. First, **PICA** shall have the power to issue bonds and grant or lend the proceeds thereof to the City. Second, **PICA** also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City and to certify noncompliance by the City with its current five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth of Pennsylvania to cause certain Commonwealth payments due to the City to be withheld).

PICA bonds are payable from the proceeds of a **PICA** tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the **PICA** tax so that the total tax remains the same. **PICA** returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2009 this transfer amounted to \$277.7 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 enti-

ties. 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 \$62.9 million to SEPTA

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled \$100.5 million during the year) to the following organizations:

- Philadelphia Commercial Development Corporation
- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund For Philadelphia Incorporated
- Philadelphia Housing Authority

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Worker's Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was \$309.3 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2007 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2008	275.9	74.2	(89.0)	261.1
Fiscal 2009	261.1	144.4	(96.2)	309.3

The City's Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverages are funded by a pro rata charge to the various funds. Payments for the year were \$4.2 million for Unemployment Compensation claims and \$55.5 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$267.3 million discounted at 3.5%. On an undiscounted basis, these liabilities total \$339.1 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 \$244.7 million (discounted) and \$311.6 million (undiscounted).

During the last three (3) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

B. COMPONENT UNITS

The City's Component Units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The SDP is self-insured for most of its risks including casualty losses, public liability, unemployment and weekly indemnity. Workers' Compensation is covered by excess insurance over a \$5.0 million self-insured retention. SDP does purchase certain other insurance. Most Component Units are principally insured through insurance carriers. Each entity has coverage considered by management to be sufficient to satisfy loss claims. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the combined amount of these liabilities was \$165.6 million for the City's Component Units. This liability is the best estimate based on available information. Changes in the reported liability since June 30, 2008 resulted from the following:

(Amounts in Millions of USD)

	Beginning	Current Year	Claim	Ending
	<u>Liability</u>	<u>Claims and Changes</u>	<u>Payments</u>	<u>Liability</u>
		<u>In Estimates</u>		
Fiscal 2008	159.4	40.3	(45.9)	153.8
Fiscal 2009	153.8	52.7	(40.9)	165.6

The SDP Weekly Indemnity, Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. The cost of Weekly Indemnity coverage is shared equally by SDP and covered employees. Unemployment Compensation coverage is funded by a pro rata charge to the various funds. Payments for the year were \$14.0 million for Weekly Indemnity, \$1.9 million for Unemployment Compensation claims and \$30.7 million for Workers' Compensation claims. Amounts collected in excess of claims incurred for SDP's Weekly Indemnity Plan are included in SDP's General Fund as a Reservation of Fund Balance.

During the last three (3) fiscal years, no claim settlements have exceeded the level of insurance coverage for those components using third party carriers. None of the losses of any of the Component Units have been settled with the purchase of annuity contracts.

7. COMMITMENTS

A. COMPONENT UNITS

- The SDP's outstanding contractual commitments at year end for construction of new facilities, purchase of new equipment, and various alterations and improvements to facilities totaled \$83.1 million.

- **SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year is partially financed by Commonwealth appropriation. In certain instances (transportation) **SDP** reimburses the Commonwealth for the funds advanced in the previous year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances, and efficiency of vehicle utilization. **SDP** owes the Commonwealth \$56.0 million. Of that amount, the Commonwealth has agreed to continue to defer amounts due from prior years totaling \$45.3 million for reimbursement of advanced funds provided for special education transportation costs through fiscal year 2010. Of the \$16.7 million incurred in 2008, \$10.7 million was still outstanding at June 30th 2009 and has been deferred by the Commonwealth for reimbursement over a two year period through fiscal year 2011.

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 \$305.1 million. Of this amount, \$19.9 million is charged to current operations of the Enterprise Funds. The remaining \$285.2 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City for which an additional loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimates of the loss which could result if unfavorable legal determinations were rendered against the City with respect to those lawsuits is approximately \$92.8 million to the General Fund and \$6.4 million to the Enterprise Funds.

Significant cases included in the current litigation against the City are as follows:

- In 1989 in *Domenech, et. al., v. City of Philadelphia* the Plaintiffs were convicted of a 1987 murder and sentenced to life in prison. At the time of their arrests, two witnesses allegedly had provided information to detectives regarding Plaintiffs' innocence. The DA's Office proceeded with the prosecution, resting largely on the testimony of a prostitute, who is now deceased. Plaintiffs allege that the assigned detectives knew the whereabouts of exculpatory witnesses, but that neither the DA's Office nor the detectives notified the defense until it was too late for them to change course and call them during the trial. Subsequently, the DA's Office reopened the case, which was dismissed in October, 2005. The Plaintiffs are demanding \$2 million dollars each. The City filed a motion for summary judgment, which was granted on all counts in May, 2009. The Plaintiffs' filed an appeal. Briefing was completed in early 2010.
- *Lawrence v. City of Philadelphia* is a collective action brought on behalf of 250 former and current fire-service paramedics (paramedics) against the City of Philadelphia's (City), under the Fair Labor Standards Act ("FLSA"). The plaintiffs claim the City violated the FLSA primarily by using the same schedule of 10 and 14-hour shifts applicable to firefighters, which can lead to them working as many as 48 hours in a traditional Sunday to Saturday workweek without compensating them at overtime rates for all hours worked over 40 in a week. The City has denied that the plaintiffs have been paid improperly and has asserted various defenses to the plaintiffs' claim. The City's primary defense is that fire service paramedics qualify for the higher over-

time thresholds applicable to fire protection and other emergency service employees under Sections 203(y) and 207(k) of the FLSA.

The district court granted summary judgment to the City in Lawrence, but the Third Circuit reversed, holding the City violated the FLSA and directing summary judgment for the plaintiffs. In December, 2008, the Supreme Court denied cert, so the case now returns to the district court for assessment of damages. The Plaintiffs seek to recover: (1) back-pay for any unpaid overtime compensation for a three-year period; (2) "liquidated damages" in an amount equal to the back pay owed; (3) an order directing that the City compensate its fire service paramedics for all hours worked beyond 40 in a week going forward; and (4) attorneys' fees. If plaintiffs were entirely successful in all aspects of their claims in both the Lawrence and the individual cases, the City's potential liability could exceed \$10 million. .

Initially, the plaintiffs also asserted a separate claim alleging that they were not paid overtime for time they allegedly spent before and after their scheduled shifts cleaning and stocking their medic units. This claim was severed from the Lawrence case (except as to lead plaintiff (Lawrence)), and the court ordered that any plaintiff who wished to pursue such an action must do so individually. Eight plaintiffs did so, but each of those cases has been stayed pending the outcome of the Lawrence damages assessment. Resolution of these claims could reach \$1 million.

A subsequent group of paramedics filed suit based on the Lawrence decision. These cases filed under Daniel O'Reilly and others similarly situated v. City of Philadelphia, will be governed by the outcome of the Lawrence assessment of damages decision. The additional cases could increase the potential exposure to the City by millions of dollars.

The City continues to vigorously defend Lawrence and all related matters in order to reduce any damage awards and mitigate related attorneys fees and costs.

- *In McKenna et al c. City of Philadelphia*, plaintiffs, three former officers allege retaliation in violation of Title VII of the Civil Rights Act of 1964. They secured a jury verdict in May, 2008 in the aggregate amount of \$10 million. The district court subsequently molded the jury award to \$300,000 per plaintiff. One plaintiff also received a back-pay award in excess of \$200,000 with additional pre-judgment interest. Plaintiffs have filed a post trial motion with the district court and an appeal to the Third Circuit Court of Appeals seeking, *inter alia*, the restoration of the \$10 million jury award..
- Condemnation of Tract of Land k/a Parcel C (within Eastwick Urban Renewal Area): in November 2003, the City condemned certain property known as Parcel C within the Eastwick Urban Renewal Area Plan of 1958 for the benefit of Philadelphia International Airport. The Redevelopment Authority of the City of Philadelphia ("RDA") was the record title holder of the property. The City deposited in court estimated just compensation in the amount of \$7.7 million. In 2007, Eastwick Development Joint Venture IX, L.P. and New Eastwick Corporation, petitioned the Court for appointment of a Board of Viewers and the Court appointed a Board of View to ascertain and award just compensation. Eastwick alleged they owned or held equitable interest in and certain development rights to the condemned property. After a view of the premises and a hearing in July 2009, the Board filed a report with the Court and made an award of just compensation for the property of \$13.5 million (including attorney fees), subject to credit for the \$7.7 million already paid and distributed. In addition, the Board awarded delay damages from the date of taking (November 2003) until July 2009 in the amount of \$3.3 million, and accruing thereafter until payment at the rate of 4.25% per year through 2009, and at rates not yet fixed for subsequent years.

The City filed an appeal to the Court of Common Pleas in November 2009, requesting a jury trial de novo. The City objected, among other things, to the award of any compensation amount beyond that amount already paid into court, to evidentiary, procedural and substantive errors in the Board of View proceeding and award, and to the delay damage computation and award. Eastwick Development filed a separate appeal from the Board of View Report to the Court of Common Pleas in November 2009. Eastwick Development sought a jury trial de novo and objected to the sufficiency of the amount of compensation awarded. The Court scheduled a case management conference for the cases in February 2010.

The City vigorously contests the award. At this time, the City's attorneys are unable in their professional judgment to evaluate the likelihood of unfavorable outcome in terms of probability and the range or amount of

any loss assuming an unfavorable outcome. Any ultimate judgment would be paid from the City's Aviation Fund.

2) Guaranteed Debt

The City has guaranteed certain debt payments of two of its component units. As such, the City's General Fund has a potential financial obligation toward the extinguishment of this debt, either by replacing the various reserve funds, if used, or the actual payment of principal or interest. At June 30, principal balances outstanding were as follows:

(Amounts In Thousands of USD)

Philadelphia Authority for Industrial Development	4,350
Philadelphia Parking Authority	<u>16,380</u>
	<u><u>20,730</u></u>

3) Single Audit

The City receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements, and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City officials the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the fiscal year ended June 30, 2009, which amounted to \$818.2 million for all open program years as of December 09, 2009. Of this amount, \$674.9 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2009 due to timing differences in audit requirements, \$65.7 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2008 and prior and \$77.6 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

4) HUD Section 108 Loans

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed \$192.1 million in loans to the Philadelphia Industrial Development Corporation (PIDC). The funds, which were used to establish a loan pool pursuant to a contract between the City and HUD, are being accounted for and administered by PIDC on behalf of the City. Pool funds are loaned to businesses for economic development purposes. Loan repayments and investment proceeds from un-loaned funds are used to repay HUD. Collateral for repayment of the funds includes future Community Development Block Grant entitlements due to the City from HUD. The total remaining principal to be repaid to HUD for all loans at the end of the year was \$116.7 million.

B. COMPONENT UNITS

1) Claims and Litigation

- The SDP is a party to various claims, legal actions, arbitration and complaints arising in the ordinary course of business, which aggregate to a total potential liability of \$15.3 million. In the opinion of the General Counsel of SDP, it is unlikely that final judgments or compromised settlements will approach the total potential liability. SDP annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. Compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of \$2.0 million and \$2.0 million, respectively, in connection with disputed contracts and labor and employment matters. Compromised

settlements or unfavorable verdicts arising from personal injury, property damage and administrative claims are deemed probable and reasonably possible in the aggregate amounts of \$2.1 million and \$2.5 million respectively. In addition, **SDP** has recorded in its Government Wide Full Accrual Statements the total cumulative potential liability of \$131.8 million for Workers' Compensation, \$6.0 million for Unemployment Compensation claims and \$6.2 million for claims and judgments.

- There are six lawsuits pending against **SDP** asserting claims in violation of § 1983 of the Civil Rights Act. In the opinion of the General Counsel of the **SDP**, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts, including attorney fees, of approximately \$0.1 million and \$0.1 million respectively
- Following several decades of proceedings in an action initiated by the Pennsylvania Human Relations Commission ("PHRC") to end historical de facto racial segregation in the School District, the PHRC and the School District (along with an intervener in the proceedings) entered into a Memorandum of Understanding ("MOU") in February 2004. The MOU was approved by Order of the Commonwealth Court in March 2004, resulting in a stay of judicial proceedings for an initial period of three years while requiring SDP to submit annual reports to the PHRC. The MOU additionally requires the PHRC to provide feedback to the SDP and includes a multi-level dispute resolution process by which the parties may seek to address disagreements, if any, remaining at the end of the initial period of the MOU before returning to Court. (The MOU further preserves the legal positions of the parties in the event the MOU does not result in a final resolution of this case and the stay is lifted).

The **SDP** submitted annual status reports to the PHRC in December 2004, 2005 and 2006. The PHRC provided its most recent annual response to the SDP's December 2006 status report during the summer of 2007. The PHRC, in its evaluation submitted in March, 2008, concluded that the SDP is not in substantial compliance with the law.

- **SDP** receives basic education subsidies from the Commonwealth based primarily on student enrollment. In July 1995, the Pennsylvania Department of Education (PDE) notified **SDP** that the results of an audit conducted by the Auditor General for the fiscal years ending June 30, 1991, 1992 and 1993 indicated that **SDP** over-reported student enrollment in Fiscal Year 1991, the year established by the Commonwealth as the base for all subsidies through Fiscal Year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately \$40.0 million through fiscal year 1999, and subsequently, reduced by half to \$20.0 million based on additional reviews and documentation. In May 1999, **SDP** appealed the entire findings to the Secretary of Education. The matter remains pending.

As a result of a subsequent audit of school years 1994-95 through 1996-97, PDE claimed that an additional \$20.0 million during the audit period was due from **SDP** for alleged over-reporting of enrollment. The **SDP** denied the claim and produced documentation. Both matters remain pending. Through discussions with state representatives regarding relief from this potential liability are ongoing, to date, no final determination of forgiveness has been made. However, there still remains a reasonably possible loss in this category in the total amount of \$40.0 million.

- **SDP** was recently the subject of an audit by the National Science Foundation (NSF) Office of Inspector General (OIG) of two grant awards from NSF covering the period July 1, 1999 through August 31, 2005. The NSF OIG auditors issued a final audit report in May 2008 questioning \$3.3 million in federal funds expended under the awards. In April 2009, the NSF OIG issued its decision to allow \$834,406 and disallow the remaining \$2.5 million. In the opinion of the General Counsel of the **SDP** unfavorable outcomes are deemed reasonably possible for \$757,296 of the total.
- *The School District of Philadelphia 403(b) Plan and 457(b) Deferred Compensation Plan*
Pursuant to resolutions of the School Reform Commission, the School District of Philadelphia implemented a new 403(b) Plan and a 457(b) Deferred Compensation Plan in fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the new 403(b) and 457(b) Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the School District would pay termination pay owed to a resigning or retiring employee in cash or, at the direction of the employee, would deposit such termination pay into the retiring or resigning em-

ployee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees retiring after June 1, 2005, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans for employees who retire during or after the calendar year in which they attain age 55. Based on the advice of counsel, the School District has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld those taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plans are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan. No taxing authorities have challenged the tax treatment accorded these termination payments, and the School District has no reason to believe that any such challenge, if brought, would be successful. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. Furthermore, on June 30, 2008, the School District submitted a request for a Private Letter Ruling ("PLR") from the Internal Revenue Service to further confirm the School District's determination. The School District is seeking this PLR without prejudice to the School District's position that no such ruling is necessary under these circumstances. Management believes that if it were finally determined that any liability for state or Federal taxes (including interest and penalties) relating to these plans existed at June 30, 2009, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2009.

9. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

- 1) In September 2009, the City issued the Series A, Tax and Revenue Anticipation Note ("TRAN") in the maximum principal amount of \$275 million with J.P. Morgan Securities, Inc. The City has drawn down \$270 million under the JP Morgan private placement. The notes were issued in the early part of the fiscal year to supplement the revenue of the General Fund revenues which are received in the latter part of the year, and to secure the repayment of the note. The City issued publicly offered TRAN Series B and repaid the principal of and accrued interest on the Series A TRAN with a portion of the proceeds of the Notes, together with other available funds of the City. This transaction closed in November, 2009. The remaining proceeds will be invested until needed and repaid by June 30, 2010.
- 2) In August 2009, the City issued General Obligation Refunding Bonds Series 2009A and 2009B in the amounts of \$237.0 million and \$100.0 million respectively. The Series 2009A bonds are fixed-rate refunding bonds with interest rates ranging from 4.25% to 5.5% and mature in 2031. The Series 2009B bonds are multi-modal refunding bonds and will bear interest at a weekly rate subject to conversion to a daily mode, term rate mode, or fixed rate mode at the direction of the City and upon satisfaction of certain conditions described in the Board Committee Resolution. The bonds are being issued simultaneously for the purpose of refunding the City's outstanding series 2007B general obligation multi-modal refunding bonds and for the payment of the costs relating to the issuance of the 2009 bonds, including the termination payment of \$15.5 million due with respect to a portion of a related swap.
- 3) In July 2009, the outstanding balance of \$83.7 million of Series Water & Wastewater Revenue Refunding Bonds, Variable Rate Series 2005B was remarketed under an irrevocable direct pay letter of credit (LOC) from Bank of America. The LOC replaces a bond insurance policy from Financial Security Assurance, Inc. (FSA) and a liquidity facility for the 2005B Bonds provided by DEPFA Bank. The LOC will constitute both a credit facility and liquidity facility and Bank of America, N.A. a credit provider and liquidity provider for the 2005B Bonds. The bonds continue to have a weekly interest rate, maturing in 2018.
- 4) In July 2009, the City entered into a four-year tax exempt Lease Purchase Agreement with PNC Equipment Finance, LLC, for \$31 million, in connection with the purchase and installation of certain equipment and related software to upgrade the City's 800 MHz trunked radio communications system to an ASTRO 25 Internet Protocol based system.
- 5) The economic recession and the inability of the Commonwealth of Pennsylvania to pass a budget left the City in dire straits in July, 2009. The City was unable to borrow cash at a favorable rate and was forced

to ration payments to vendors until the State passed its budget. In addition, rising health care costs and pension costs threatened to force the City to severely curtail services to maintain a balanced budget. The City contracts with the various bargaining units expired at June 30 and the City is seeking to gain control over the spiraling health care costs and pension costs. The stock market downturn affected the pension plan putting the City in the position of having to make increasingly greater payments to make up for the losses suffered in the downturn. The City requested that the Commonwealth make changes in the Pension laws to allow the City to defer some pension payments for fiscal 2010 and 2011, and sought to have the sales tax increased by 1% to help pay for the City's share of pension funding. In September 2009, the Commonwealth passed Act 44 which offered relief and restructuring of pension payments for the City. In addition to the increase in the sales tax, the Act also provided for a reduced minimum municipal obligation (MMO) payment to the pension fund for two years and to allow the City to increase the amortization period of its entire unfunded liability over 30 years. These changes will give the City some budgetary breathing room while pursuing changes in the employees' bargained benefits. The City's contract with uniformed police officers was settled by binding arbitration and the City won changes that will help control health care and pension costs in the future. The contracts with the other three unions have not yet been settled.

B. COMPONENT UNITS

- 1) In January 2010, the U.S. Department of Education Office of the Inspector General (OIG) issued the final report on an audit conducted from May 2007 to May 2009 of significant federal grants which **SDP** received for FY2006. OIG had previously issued the preliminary report in May 2009. In accordance with applicable audit standards, **SDP** responded to the draft audit findings in August 2009, justifying the majority of the expenditures questioned. The final report issued by OIG questioned \$138.8 million of costs with \$121.1 million considered inadequately supported with documentation and \$17.7 million considered unallowable costs. The matter is not resolved at this time as the OIG is not an enforcement or decision making authority within the U.S. Department of Education. There are several levels of resolution within the Department of Education. The **SDP** will be able to discuss the findings with the Department program officials, then request a hearing before an Administrative Law Judge. The final agency decision will be made by the Secretary of Education. The final agency decision can then be appealed to federal court. Therefore, no assurance can be given as to the final resolution of the audit, the amounts, if any, which may be required to be repaid by the **SDP** or whether such repayments could have a material adverse effect on the financial condition of **SDP**.
- 2) In July 2010, the **SDP** issued \$400.0 million in Tax and Revenue Anticipation Notes (TRANS). For the first time in five years, the **SDP** issued the TRANS without any credit enhancement and without benefit of an enacted Commonwealth budget
- 3) In August 2009, **PGW** issued Gas Works Revenue Refunding Bonds (1998 Ordinance) Eighth Series A through E. The fixed rate bonds (Eighth Series A) were issued in the amount of \$58.3 million and have interest rates ranging from 4.0% to 5.25% maturing in 2017. The variable rate bonds (Eighth Series B, C, D and E) in the amount of \$255 million are secured by letters of credit from Bank of America, N.A. (\$50 million), Wachovia Bank, N.A. (\$105 million), Scotia Bank (\$50 million), and J.P. Morgan (\$50 million) respectively. The Eighth Series B through E bonds will bear interest at a weekly rate maturing in 2031. The proceeds from the bonds were used to (1) current refund all of the outstanding Gas Works Revenue Bonds (1998 Ordinance) Sixth Series, (2) pay the costs of terminating a portion of the swap agreement for the refunded bonds, (3) pay the costs of issuing the Eighth Series bonds and any required deposits to the Sinking Fund Reserve established under the 1998 ordinance..
- 4) In July 2009, **SDP**, PHRC and Aspira, an intervener, negotiated a final resolution for desegregation litigation, which requires **SDP** to use reasonable good faith efforts to implement its five-year strategic plan "imagine 2014," subject to finding and changed circumstances, for five years, with reporting requirements. The agreement was approved by the School Reform Commission and then by the Commonwealth Court. The case was dismissed.
- 5) In July 2009, the **CCP** Board of Trustees approved the college's participation in a self-insurance medical plan through Independence Blue Cross, which became effective in September 2009. The costs for the year 2009-2010 will be approximately \$12.6 million, giving CCP a projected savings of \$2.2 million.



City of Philadelphia
PENNSYLVANIA

**Required
Supplementary
Information**

(Other than Management's Discussion and Analysis)

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009

Exhibit XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<u>Revenues</u>				
Tax Revenue	2,425,029	2,246,506	2,252,818	6,312
Locally Generated Non-Tax Revenue	254,017	275,604	256,289	(19,315)
Revenue from Other Governments	1,095,436	1,091,212	993,436	(97,776)
Revenue from Other Funds	<u>113,238</u>	<u>135,927</u>	<u>135,338</u>	<u>(589)</u>
Total Revenues	3,887,720	3,749,249	3,637,881	(111,368)
<u>Expenditures and Encumbrances</u>				
Personal Services	1,415,816	1,436,758	1,406,267	30,491
Pension Contributions	459,744	464,362	458,989	5,373
Other Employee Benefits	<u>545,200</u>	<u>533,891</u>	<u>514,234</u>	<u>19,657</u>
Sub-Total Employee Compensation	2,420,760	2,435,011	2,379,490	55,521
Purchase of Services	1,198,334	1,209,346	1,174,246	35,100
Materials and Supplies	68,744	70,792	67,860	2,932
Equipment	24,217	24,727	14,847	9,880
Contributions, Indemnities and Taxes	123,843	133,343	130,009	3,334
Debt Service	111,146	105,382	100,877	4,505
Payments to Other Funds	44,713	40,956	25,306	15,650
Advances, Subsidies, Miscellaneous	<u>39,955</u>	<u>22,655</u>	<u>22,653</u>	<u>2</u>
Total Expenditures and Encumbrances	<u>4,031,712</u>	<u>4,042,212</u>	<u>3,915,288</u>	<u>126,924</u>
Operating Surplus (Deficit) for the Year	<u>(143,992)</u>	<u>(292,963)</u>	<u>(277,407)</u>	<u>15,556</u>
Fund Balance Available for Appropriation, July 1, 2008	182,032	119,524	119,524	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	24,500	24,500	21,127	(3,373)
Revenue Adjustments - Net	-	-	(11)	(11)
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>(421)</u>	<u>(421)</u>
Adjusted Fund Balance, July 1, 2008	<u>206,532</u>	<u>144,024</u>	<u>140,219</u>	<u>(3,805)</u>
Fund Balance Available for Appropriation, June 30, 2009	<u>62,540</u>	<u>(148,939)</u>	<u>(137,188)</u>	<u>11,751</u>

* Refer to the notes to required supplementary information.

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
HealthChoices Behavioral Health Fund
For the Fiscal Year Ended June 30, 2009

Exhibit XV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual*</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	10,000	10,000	7,519	(2,481)
Revenue from Other Governments	<u>804,834</u>	<u>766,893</u>	<u>754,291</u>	<u>(12,602)</u>
Total Revenues	814,834	776,893	761,810	(15,083)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	-	-	(88,469)	(88,469)
Increase in Financed Reserves	<u>-</u>	<u>-</u>	<u>(10,884)</u>	<u>(10,884)</u>
Total Revenues and Other Sources	<u>814,834</u>	<u>776,893</u>	<u>662,457</u>	<u>(114,436)</u>
<u>Expenditures and Encumbrances</u>				
Purchase of Services	882,254	882,254	808,455	73,799
Equipment	100	100	15	85
Payments to Other Funds	<u>1,480</u>	<u>1,480</u>	<u>1,042</u>	<u>438</u>
Total Expenditures and Encumbrances	<u>883,834</u>	<u>883,834</u>	<u>809,512</u>	<u>74,322</u>
Operating Surplus (Deficit) for the Year	<u>(69,000)</u>	<u>(106,941)</u>	<u>(147,055)</u>	<u>(40,114)</u>
Fund Balance Available for Appropriation, July 1, 2008	28,360	40,509	40,509	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	101,167	101,167
Other Adjustments	<u>69,000</u>	<u>13,491</u>	<u>-</u>	<u>(13,491)</u>
Adjusted Fund Balance, July 1, 2008	<u>97,360</u>	<u>54,000</u>	<u>141,676</u>	<u>87,676</u>
Fund Balance Available for Appropriation, June 30, 2009	<u>28,360</u>	<u>(52,941)</u>	<u>(5,379)</u>	<u>47,562</u>

* Refer to the notes to required supplementary information.

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2009

Exhibit XVI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	61,413	52,383	44,253	(8,130)
Revenue from Other Governments	<u>1,074,618</u>	<u>953,405</u>	<u>798,396</u>	<u>(155,009)</u>
Total Revenues	1,136,031	1,005,788	842,649	(163,139)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	-	-	(15,265)	(15,265)
Increase in Financed Reserves	<u>-</u>	<u>-</u>	<u>(486)</u>	<u>(486)</u>
Total Revenues and Other Sources	<u>1,136,031</u>	<u>1,005,788</u>	<u>826,898</u>	<u>(178,890)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	103,744	104,421	78,593	25,828
Pension Contributions	11,990	12,764	9,382	3,382
Other Employee Benefits	<u>16,642</u>	<u>18,271</u>	<u>14,031</u>	<u>4,240</u>
Sub-Total Employee Compensation	132,376	135,456	102,006	33,450
Purchase of Services	855,212	859,933	732,733	127,200
Materials and Supplies	18,285	17,477	12,072	5,405
Equipment	8,010	6,630	3,455	3,175
Contributions, Indemnities and Taxes	-	883	883	-
Payments to Other Funds	22,147	43,939	35,558	8,381
Advances, Subsidies, Miscellaneous	<u>100,001</u>	<u>61,319</u>	<u>-</u>	<u>61,319</u>
Total Expenditures and Encumbrances	<u>1,136,031</u>	<u>1,125,637</u>	<u>886,707</u>	<u>238,930</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(119,849)</u>	<u>(59,809)</u>	<u>60,040</u>
Fund Balance Available for Appropriation, July 1, 2008	-	(22,981)	(22,981)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	35,356	35,356
Revenue Adjustments - Net	-	-	10,722	10,722
Other Adjustments	<u>-</u>	<u>22,981</u>	<u>-</u>	<u>(22,981)</u>
Adjusted Fund Balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>23,097</u>	<u>23,097</u>
Fund Balance Available for Appropriation, June 30, 2009	<u>-</u>	<u>(119,849)</u>	<u>(36,712)</u>	<u>83,137</u>

* Refer to the notes to required supplementary information.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded AAL (UAAL)</u> (b - a)	<u>Funded Ratio</u> (a / b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percent of Covered Payroll</u> (b - a) / c
<u>City of Philadelphia Municipal Pension Plan</u>						
07/01/2003	4,548.1	7,188.3	2,640.2	63.27%	1,269.3	208.00%
07/01/2004	4,333.1	7,247.7	2,914.6	59.79%	1,266.0	230.22%
07/01/2005	4,159.5	7,851.5	3,692.0	52.98%	1,270.7	290.55%
07/01/2006	4,168.5	8,083.7	3,915.2	51.57%	1,319.4	296.74%
07/01/2007	4,421.7	8,197.2	3,775.5	53.94%	1,351.8	279.29%
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
<u>City of Philadelphia Other Post Employment Benefits</u>						
07/01/2007	-	1,136.7	1,136.7	0.00%	1,351.8	84.09%
07/01/2008	-	1,156.0	1,156.0	0.00%	1,456.5	79.37%
<u>Philadelphia Gas Works Pension Plan</u>						
09/01/2003	356.0	427.0	71.0	83.37%	101.2	70.16%
09/01/2004	366.8	436.3	69.5	84.07%	102.5	67.80%
09/01/2005	383.5	450.8	67.3	85.07%	102.5	65.66%
09/01/2006	411.9	474.3	62.4	86.84%	106.0	58.87%
09/01/2007	416.2	482.4	66.2	86.28%	103.0	64.27%
09/01/2008	430.4	495.2	64.8	86.92%	107.9	60.01%

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
<u>Revenues</u>			
Budgetary Comparison Schedule	3,637,881	761,810	842,649
Transfers	(373,245)	-	-
Program Income	-	-	65,956
Adjustments applicable to Prior Years Activity	(217)	-	779
Change in Amount Held by Fiscal Agent	2,633	-	-
Change in BPT Adjustment	6,504	-	-
Return of Loan	(22,500)	-	-
Other	-	-	9,943
	3,251,056	761,810	919,327
Statement of Revenues, Expenditures & Changes in Fund Balance	3,251,056	761,810	919,327
<u>Expenditures and Encumbrances</u>			
Budgetary Comparison Schedule	3,915,288	809,512	886,707
Transfers	(122,747)	-	(13,135)
Bond Issuance Costs	-	-	-
Expenditures applicable to Prior Years Budgets	68,546	(14,854)	46,334
Program Income	-	-	65,956
Other	215	-	-
Change in Amount Held by Fiscal Agent	33,487	-	-
Current Year Encumbrances	(83,234)	2,155	(66,425)
	3,811,555	796,813	919,437
Statement of Revenues, Expenditures & Changes in Fund Balance	3,811,555	796,813	919,437

**Other
Supplementary
Information**

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to specific purposes.

COUNTY LIQUID FUELS TAX - Established to account for funds made available by Public Law No. 149.

SPECIAL GASOLINE TAX - Established to account for funds made available by Public Law No. 588.

HOTEL ROOM RENTAL TAX - Established to account for the tax levied to promote tourism.

COMMUNITY DEVELOPMENT - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

CAR RENTAL TAX - Established to account for the tax levied to retire new municipal stadium debt.

HOUSING TRUST - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

WAGE TAX REDUCTION - Established in FY 2009 to account for the funds received from the Commonwealth for the purpose of reducing the City Wage Tax.

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 Fairmount Park.

MUNICIPAL AUTHORITY ADMINISTRATIVE - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE - Established to account for PICA revenues from taxes and deficit financing transactions.

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

Debt Service Funds are used for the purpose of accumulating resources for the payment of principal on general obligation term bonds and to function as a conduit for the debt service payments to fiscal agents.

CITY - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

MUNICIPAL AUTHORITY - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE - Established to account for the debt service activities related to the deficit financing provided by PICA.

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for financial resources to be used for the acquisition or construction of the major capital facilities other than those financed by proprietary fund operations.

CITY - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

MUNICIPAL AUTHORITY - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

PERMANENT FUNDS

Permanent Funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the government's programs.

LIBRARIES & PARKS - Established to account for trust of the Free Library and Fairmount Park.

City of Philadelphia
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2009

Schedule I

Amounts in thousands of USD

	Special Revenue														Total
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Wage Tax Reduction	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	
Assets															
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	-	5,019	480	76,350	81,849	
Equity in Treasurer's Account	1,754	17,539	3,449	-	5,084	20,724	4,409	114	3,745	-	245	-	-	57,063	
Investments	-	-	-	-	-	-	-	-	-	-	812	100	-	912	
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	167	167	
Taxes Receivable	-	-	4,682	-	554	-	-	-	-	-	-	-	9,141	14,377	
Accounts Receivable	-	-	-	4,505	-	-	-	-	-	-	907	5,966	-	11,378	
Due from Other Governmental Units	-	-	789	8,164	-	-	-	-	-	-	-	-	-	8,953	
Allowance for Doubtful Accounts	-	-	(1,040)	-	(12)	-	-	-	-	-	-	-	-	(1,052)	
Interest and Dividends Receivable	-	-	-	-	3	13	-	-	-	-	-	-	13	29	
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	62	62	
Total Assets	1,754	17,539	7,880	12,669	5,629	20,737	-	4,409	114	3,745	6,983	6,546	85,733	173,738	
Liabilities and Fund Balances															
Liabilities:															
Vouchers Payable	-	151	4,399	1,652	-	506	409	-	173	-	30	-	-	7,320	
Accounts Payable	-	2,363	-	2,524	-	403	-	16	24	-	1,571	6,334	60	13,295	
Salaries and Wages Payable	-	-	-	203	-	-	-	-	-	-	-	-	157	360	
Due to Other Funds	-	-	-	7,974	-	-	-	-	11	-	-	-	14,911	22,896	
Due to Component Units	-	-	2,563	317	-	1,270	-	-	-	-	-	-	-	4,150	
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	-	597	-	-	1,044	
Deferred Revenue	-	-	918	5,042	2	-	-	-	-	-	-	-	-	5,962	
Total Liabilities	-	2,514	7,880	17,712	2	2,179	-	409	16	655	2,198	6,334	15,128	55,027	
Fund Balances:															
Reserved for:															
Encumbrances	338	2,518	-	-	-	11,414	-	-	468	-	37	-	-	14,775	
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	-	-	-	62,571	62,571	
Debt Service Principal & Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Trust Purposes	-	-	-	-	-	-	-	-	-	-	200	-	-	200	
Unreserved:															
Designated for Trust Purposes	-	-	-	-	-	-	-	98	2,622	-	4,548	-	-	7,268	
Undesignated	1,416	12,507	-	(5,043)	5,627	7,144	4,000	-	-	-	-	212	8,034	33,897	
Total Fund Balances	1,754	15,025	-	(5,043)	5,627	18,558	-	4,000	98	3,090	4,785	212	70,605	118,711	
Total Liabilities and Fund Balances	1,754	17,539	7,880	12,669	5,629	20,737	-	4,409	114	3,745	6,983	6,546	85,733	173,738	

City of Philadelphia
 Combining Balance Sheet
 Non-Major Governmental Funds(Continued)
 June 30, 2009

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	-	-	25,549	25,549	-	-	-	592	107,990
Equity in Treasurer's Account	1,714	-	-	1,714	179,784	-	179,784	-	238,561
Investments	-	11	52,621	52,632	-	95,869	95,869	6,176	155,589
Due from Other Funds	-	-	4,450	4,450	-	-	-	-	4,617
Taxes Receivable	-	-	-	-	-	-	-	-	14,377
Accounts Receivable	-	-	-	-	-	-	-	1	11,379
Due from Other Governmental Units	-	-	-	-	18,321	-	18,321	-	27,274
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(1,052)
Interest and Dividends Receivable	-	-	-	-	59	-	59	-	88
Other Assets	-	-	-	-	-	-	-	-	62
Total Assets	1,714	11	82,620	84,345	198,164	95,869	294,033	6,769	558,885
Liabilities and Fund Balances									
Liabilities:									
Vouchers Payable	-	-	-	-	3,043	-	3,043	-	10,363
Accounts Payable	-	-	660	660	2,823	7,800	10,623	347	24,925
Salaries and Wages Payable	-	-	-	-	46	-	46	-	406
Due to Other Funds	-	-	167	167	-	-	-	-	23,063
Due to Component Units	-	-	-	-	-	-	-	-	4,150
Funds Held in Escrow	-	-	-	-	4,262	-	4,262	-	5,306
Deferred Revenue	-	-	4,450	4,450	17,525	-	17,525	-	27,937
Total Liabilities	-	-	5,277	5,277	27,699	7,800	35,499	347	96,150
Fund Balances:									
Reserved for:									
Encumbrances	-	-	-	-	62,479	-	62,479	-	77,254
Intergovernmental Financing	-	-	-	-	-	-	-	-	62,571
Debt Service Principal & Interest	1,714	11	75,924	77,649	-	-	-	-	77,649
Trust Purposes	-	-	-	-	-	-	-	3,752	3,952
Unreserved:									
Designated for Trust Purposes	-	-	-	-	-	-	-	2,670	9,938
Undesignated	-	-	1,419	1,419	107,986	88,069	196,055	-	231,371
Total Fund Balances	1,714	11	77,343	79,068	170,465	88,069	258,534	6,422	462,735
Total Liabilities and Fund Balances	1,714	11	82,620	84,345	198,164	95,869	294,033	6,769	558,885

City of Philadelphia
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Governmental Funds
 For the Fiscal Year Ended June 30, 2009

Schedule II

Amounts in thousands of USD

	Special Revenue														
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Wage Tax Reduction	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues															
Tax Revenue	-	-	37,828	-	4,805	-	-	54,716	-	-	-	-	-	348,534	445,883
Locally Generated Non-Tax Revenue	6	34	6	7,641	80	8,644	-	-	-	2,324	460	7,252	29,588	1,704	57,739
Revenue from Other Governments	4,763	24,629	-	65,029	-	-	86,545	-	-	-	-	-	-	-	180,966
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	9,700	9,700
Total Revenues	4,769	24,663	37,834	72,670	4,885	8,644	86,545	54,716	-	2,324	460	7,252	29,588	359,938	694,288
Expenditures															
Current Operating:															
Economic Development	-	-	37,834	-	-	-	-	-	-	-	-	-	-	-	37,834
Transportation:															
Streets & Highways	4,037	21,409	-	-	-	-	-	-	-	-	-	-	-	-	25,446
Judiciary and Law Enforcement:															
Prisons	-	-	-	-	-	-	-	-	855	-	-	-	-	-	855
Conservation of Health:															
Health Services	-	-	-	-	-	-	-	50,716	-	-	-	-	-	-	50,716
Housing and Neighborhood Development	-	-	-	74,488	-	9,012	-	-	-	-	-	-	-	-	83,500
Cultural and Recreational:															
Parks	-	-	-	-	-	-	-	-	-	-	8,069	-	-	-	8,069
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	228	-	-	-	228
Improvements to General Welfare:															
Service to Property:															
General Management and Support	-	-	-	-	5,000	-	-	-	46	1,146	460	388	29,561	1,078	37,679
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:															
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,037	21,409	37,834	74,488	5,000	9,012	-	50,716	46	2,001	460	8,685	29,561	1,078	244,327
Excess (Deficiency) of Revenues Over (Under) Expenditures	732	3,254	-	(1,818)	(115)	(368)	86,545	4,000	(46)	323	-	(1,433)	27	358,860	449,961
Other Financing Sources (Uses)															
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Defeasance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	1,500	-	-	-	-	-	-	-	-	1,500
Transfers Out	-	-	-	-	-	-	(86,545)	-	-	-	-	-	-	(347,904)	(434,449)
Total Other Financing Sources (Uses)	-	-	-	-	-	1,500	(86,545)	-	-	-	-	-	-	(347,904)	(432,949)
Net Change in Fund Balances	732	3,254	-	(1,818)	(115)	1,132	-	4,000	(46)	323	-	(1,433)	27	10,956	17,012
Fund Balance - July 1, 2008	1,022	11,771	-	(3,225)	5,742	17,426	-	-	144	2,767	-	6,218	185	59,649	101,699
Fund Balance Adjusted - July 1, 2008	1,022	11,771	-	(3,225)	5,742	17,426	-	-	144	2,767	-	6,218	185	59,649	101,699
Fund Balance - June 30, 2009	1,754	15,025	-	(5,043)	5,627	18,558	-	4,000	98	3,090	-	4,785	212	70,605	118,711

City of Philadelphia
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Governmental Funds(Continued)
 For the Fiscal Year Ended June 30, 2009

Schedule II

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	-	-	-	-	-	-	-	-	445,883
Locally Generated Non-Tax Revenue	20	-	3,558	3,578	-	5	5	-	61,322
Revenue from Other Governments	-	-	-	-	38,841	-	38,841	-	219,807
Other Revenues	-	-	-	-	43	-	43	-	9,743
Total Revenues	20	-	3,558	3,578	38,884	5	38,889	-	736,755
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	37,834
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	25,446
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	855
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	50,716
Housing and Neighborhood Development:									
Development	-	-	-	-	-	-	-	-	83,500
Cultural and Recreational:									
Parks	-	-	-	-	-	-	-	1,052	9,121
Libraries and Museums	-	-	-	-	-	-	-	867	1,095
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-	-	54,127	54,127	-	-	-	-	91,806
Capital Outlay	-	-	-	-	119,125	7,800	126,925	-	126,925
Debt Service:									
Principal	31,015	14,177	42,415	87,607	-	-	-	-	87,607
Interest	58,704	14,751	32,245	105,700	-	-	-	-	105,700
Bond Issuance Cost	-	-	1,988	1,988	5,353	1,146	6,499	-	8,487
Total Expenditures	89,719	28,928	130,775	249,422	124,478	8,946	133,424	1,919	629,092
Excess (Deficiency) of Revenues Over (Under) Expenditures	(89,699)	(28,928)	(127,217)	(245,844)	(85,594)	(8,941)	(94,535)	(1,919)	107,663
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	-	165,000	97,850	262,850	-	262,850
Issuance of Refunding Bonds	-	-	354,925	354,925	-	-	-	-	354,925
Bond Issuance Premium	-	-	26,678	26,678	-	-	-	-	26,678
Bond Issuance Discount	-	-	-	-	(1,837)	(1,253)	(3,090)	-	(3,090)
Bond Defeasance	-	-	(326,865)	(326,865)	-	-	-	-	(326,865)
Transfers In	91,000	28,925	69,320	189,245	10,527	-	10,527	-	201,272
Transfers Out	-	-	-	-	-	-	-	-	(434,449)
Total Other Financing Sources (Uses)	91,000	28,925	124,058	243,983	173,690	96,597	270,287	-	81,321
Net Change in Fund Balances	1,301	(3)	(3,159)	(1,861)	88,096	87,656	175,752	(1,919)	188,984
Fund Balance - July 1, 2008	413	14	80,502	80,929	82,369	413	82,782	8,341	273,751
Fund Balance Adjusted - July 1, 2008	413	14	80,502	80,929	82,369	413	82,782	8,341	273,751
Fund Balance - June 30, 2009	1,714	11	77,343	79,068	170,465	88,069	258,534	6,422	462,735

City of Philadelphia
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2009

Schedule III

Amounts in thousands of USD

	Gas Works Retirement Reserve <u>Fund</u>	Municipal Pension <u>Fund</u>	<u>Total</u>
<u>Assets</u>			
Equity in Treasurer's Account	352,765	3,409,259	3,762,024
Securities Lending Collective Investment Pool	-	420,344	420,344
Allowance for Unrealized Loss	-	(20,582)	(20,582)
Accounts Receivable	7,000	5,127	12,127
Due from Brokers for Securities Sold	-	732,359	732,359
Interest and Dividends Receivable	1,300	8,134	9,434
Due from Other Governmental Units	-	4,757	4,757
	<u>361,065</u>	<u>4,559,398</u>	<u>4,920,463</u>
Total Assets			
<u>Liabilities</u>			
Vouchers Payable	-	20	20
Accounts Payable	492	3,085	3,577
Salaries and Wages Payable	-	152	152
Funds Held in Escrow	-	373	373
Due on Return of Securities Loaned	12,346	420,344	432,690
Due to Brokers for Securities Purchased	12,220	754,826	767,046
Accrued Expenses	-	1,621	1,621
Deferred Revenue	-	2,645	2,645
Other Liabilities	-	564	564
	<u>25,058</u>	<u>1,183,630</u>	<u>1,208,688</u>
Total Liabilities			
Net Assets Held in Trust for Pension Benefits	<u>336,007</u>	<u>3,375,768</u>	<u>3,711,775</u>

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2009

Schedule IV

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Additions</u>			
Contributions:			
Employer's Contributions	15,437	455,389	470,826
Employees' Contributions	-	54,023	54,023
	<u>15,437</u>	<u>509,412</u>	<u>524,849</u>
Total Contributions			
Investment Income:			
Interest and Dividends	14,682	75,635	90,317
Net Decline in Fair Value of Investments	(87,864)	(912,255)	(1,000,119)
(Less) Investments Expenses	(1,724)	(12,759)	(14,483)
Securities Lending Revenue	89	12,343	12,432
Securities Lending Unrealized Loss	-	(20,582)	(20,582)
(Less) Securities Lending Expenses	(20)	(6,663)	(6,683)
	<u>(74,837)</u>	<u>(864,281)</u>	<u>(939,118)</u>
Net Investment Loss			
Miscellaneous Operating Revenues	-	1,015	1,015
	<u>(59,400)</u>	<u>(353,854)</u>	<u>(413,254)</u>
Total Reductions			
<u>Deductions</u>			
Personal Services	-	3,795	3,795
Purchase of Services	-	2,147	2,147
Materials and Supplies	-	89	89
Employee Benefits	33,665	2,395	36,060
Pension Benefits	-	681,087	681,087
Refunds of Members' Contributions	-	4,786	4,786
Other Operating Expenses	-	154	154
	<u>33,665</u>	<u>694,453</u>	<u>728,118</u>
Total Deductions			
Change in Net Assets	(93,065)	(1,048,307)	(1,141,372)
Net Assets - July 1, 2008	429,072	4,424,075	4,853,147
Net Assets - June 30, 2009	<u>336,007</u>	<u>3,375,768</u>	<u>3,711,775</u>

City of Philadelphia
 Combining Statement of Fiduciary Net Assets
 Agency Funds
 June 30, 2009

Schedule V

Amounts in thousands of USD

	<u>Escrow Fund</u>	<u>Employee Health & Welfare Fund</u>	<u>Departmental Custodial Accounts</u>	<u>Total</u>
<u>Assets</u>				
Cash on Deposit and on Hand	-	-	130,990	130,990
Equity in Treasurer's Account	7,200	14,712	-	21,912
Investments	-	-	12,254	12,254
Due from Other Funds	-	-	811	811
	<u>7,200</u>	<u>14,712</u>	<u>144,055</u>	<u>165,967</u>
Total Assets				
<u>Liabilities</u>				
Vouchers Payable	144	393	-	537
Payroll Taxes Payable	-	5,247	-	5,247
Funds Held in Escrow	7,056	9,072	144,055	160,183
	<u>7,200</u>	<u>14,712</u>	<u>144,055</u>	<u>165,967</u>
Total Liabilities				
Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Philadelphia
Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended June 30, 2009

Schedule VI

Amounts in thousands of USD

	Balance 7-1-2008	Additions	Deductions	Balance 6-30-2009
<u>Escrow Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	6,290	350,795	349,885	7,200
<u>Liabilities</u>				
Funds Held in Escrow	6,290	350,794	350,028	7,056
Vouchers Payable	-	814	670	144
Total Liabilities	6,290	351,608	350,698	7,200
<u>Employee Health and Welfare Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	13,824	881,597	880,709	14,712
<u>Liabilities</u>				
Vouchers Payable	182	7,650	7,439	393
Payroll Taxes Payable	6,094	783,573	784,420	5,247
Funds Held in Escrow	7,548	98,090	96,566	9,072
Total Liabilities	13,824	889,313	888,425	14,712
<u>Departmental Custodial Accounts</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	109,594	137,478	116,082	130,990
Investments	29,066	-	16,812	12,254
Due from Other Funds	806	5	-	811
Total Assets	139,466	137,483	132,894	144,055
<u>Liabilities</u>				
Funds Held in Escrow	139,466	137,483	132,894	144,055
<u>Totals - Agency Funds</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	109,594	137,478	116,082	130,990
Equity in Treasurer's Account	20,114	1,232,392	1,230,594	21,912
Investments	29,066	-	16,812	12,254
Due from Other Funds	806	5	-	811
Total Assets	159,580	1,369,875	1,363,488	165,967
<u>Liabilities</u>				
Vouchers Payable	182	8,464	8,109	537
Payroll Taxes Payable	6,094	783,573	784,420	5,247
Funds Held in Escrow	153,304	586,367	579,488	160,183
Total Liabilities	159,580	1,378,404	1,372,017	165,967

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2009

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2009 Outstanding	Maturities	Interest Rates	FY 2010 Debt Service Requirements	
							Interest	Principal
General Obligation Bonds:								
Term Bonds	97,493,541	07/27/2006	531,988	531,988	8/2030 to 8/2031	5.00	26,599	-
	7,222,518	07/27/2006	7,222,518	7,222,518	8/2030 to 8/2031	5.00	361,126	-
	11,024,437	07/27/2006	11,024,437	11,024,437	8/2030 to 8/2031	5.00	551,222	-
	10,131,057	07/27/2006	10,131,057	10,131,057	8/2030 to 8/2031	5.00	506,553	-
	113,608,890	01/06/2009	113,608,890	113,608,890	7/2013 to 7/2038	5.25 to 7.125	8,062,637	-
	30,926,110	01/06/2009	30,926,110	30,926,110	7/2013 to 7/2038	5.25 to 7.125	2,194,775	-
Total Term Bonds	270,406,553		173,445,000	173,445,000			11,702,912	-
Refunding Issues	178,240,000	12/01/1998	178,240,000	120,670,000	05/2010 to 05/2020	4.75 to 5.125	6,000,869	11,745,000
	188,910,000	12/20/2007	188,910,000	182,885,000	08/2009 to 08/2019	4.00 to 5.25	9,160,338	3,600,000
	313,505,000	12/20/2007	313,505,000	313,505,000	08/2019 to 08/2031	variable rates	12,004,106	-
	195,170,000	5/01/2008	195,170,000	194,710,000	12/2009 to 12/2032	4.00 to 5.25	10,081,137	620,000
Total Refunding Bonds	875,825,000		875,825,000	811,770,000			37,246,450	15,965,000
Serial Bonds	20,000,000	NA	20,000,000	3,426,255	07/2009 to 06/2013	1.00	28,781	1,198,201
	50,781,553 ¹	01/01/2001	50,781,553	21,529,633	09/2009 to 09/2021	4.1 to 5.50	996,955	2,135,657
	99,400,449 ¹	01/01/2001	95,928,447	40,670,367	09/2009 to 09/2021	4.1 to 5.50	1,883,288	4,034,343
		07/27/2006	3,472,002	3,302,155	8/2009 to 8/2029	4.50 to 5.125	161,334	91,548
	12,165,000 ¹	12/02/2003	12,165,000	8,188,260	02/2010 to 02/2015	5 to 5.25	419,157	1,358,830
	84,972,482	12/02/2003	37,835,000	25,466,740	02/2010 to 02/2015	5 to 5.25	1,303,643	4,226,170
		07/27/2006	47,137,482	44,831,573	8/2009 to 8/2029	4.50 to 5.125	2,190,339	1,242,893
	71,950,563	07/27/2006	71,950,563	68,430,828	8/2009 to 8/2029	4.50 to 5.125	3,343,329	1,897,149
	66,119,953	07/27/2006	66,119,953	62,885,444	8/2009 to 8/2029	4.50 to 5.125	3,072,398	1,743,410
	16,086,110	01/06/2009	16,086,110	16,086,110	7/2009 to 7/2018	4.00 to 6.00	788,388	1,406,994
	4,378,890	01/06/2009	4,378,890	4,378,890	7/2009 to 7/2018	4.00 to 6.00	214,611	383,006
Total Serial Bonds	425,855,000		425,855,000	299,196,255			14,402,223	19,718,201
Total General Obligation Bonds	1,572,086,553		1,475,125,000	1,284,411,255			63,351,585	35,683,201
Revenue Bonds:								
Water and Sewer Revenue Bonds:								
Series 1993	1,157,585,000	08/01/1993	1,010,025,000	142,550,000	06/2010 to 06/2011	7.00	9,978,500	68,865,000
Series 1995	221,630,000	04/15/1995	221,630,000	49,470,000	08/2009 to 08/2018	6.25	2,740,938	11,230,000
Series 1997 B	350,000,000 ³	11/25/1997	100,000,000	78,500,000	08/2009 to 08/2027	Variable rates	250,895	2,700,000
Series 1998	135,185,000	12/25/1998	135,185,000	135,185,000	12/2011 to 12/2014	5.25	7,097,213	-
Series 1999 A	6,700,000	N.A.	6,700,000	781,162	07/2009 to 04/2019	2.73	20,444	70,221
Series 2001 A and B	285,920,000	11/15/2001	285,920,000	137,875,000	11/2011 to 11/2028	3.8 to 5.50	7,069,482	-
Series 2003	381,275,000 ³	04/01/2003	381,275,000	370,030,000	06/2010 to 06/2023	Variable rates	16,725,356	1,205,000
Series 2005 A	250,000,000	05/04/2005	250,000,000	239,440,000	07/2009 to 07/2035	3.25 to 5.25	11,859,737	4,440,000
Series 2005 B	86,105,000 ³	05/04/2005	86,105,000	83,665,000	08/2009 to 08/2018	Variable rates	3,781,191	390,000
Series 2007 A	191,440,000	11/16/2006	191,440,000	184,325,000	8/2009 to 8/2027	4.00 to 5.00	8,735,900	4,480,000
Series 2007 B	153,595,000	11/16/2006	153,595,000	153,310,000	11/2009 to 11/2031	4.00 to 5.00	6,967,575	200,000
Series 2009 A	325,000,000	05/21/2009	140,000,000	140,000,000	01/2017 to 01/2033	4.00 to 5.75	4,457,467	-
Total Water Revenue Bonds	3,544,435,000		2,961,875,000	1,715,131,162			79,684,698	93,580,221

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2009

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2009 Outstanding	Maturities	Interest Rates	FY 2010 Debt Service Requirements	
							Interest	Principal
Aviation Revenue Bonds:								
Series 1997 A	222,265,000	07/01/1997	222,265,000	30,570,000	06/2010 to 06/2027	5.125 to 5.75	1,637,875	4,440,000
Series 1998 A	123,405,000	03/17/1998	123,405,000	71,965,000	06/2010 to 06/2018	5.375 to 5.5	3,891,931	6,425,000
Series 1998 B	443,700,000	07/01/1998	443,700,000	377,820,000	07/2009 to 07/2028	5.00 to 5.375	19,092,705	11,210,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	164,225,000	07/2009 to 07/2028	5.125 to 5.50	8,646,070	4,670,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	35,455,000	06/2010 to 06/2031	4.50 to 5.50	1,864,019	895,000
Series 2005 C	189,500,000 ³	06/02/2005	189,500,000	173,900,000	06/2010 to 06/2025	Variable rates	10,209,176	5,300,000
Series 2005 A	124,985,000	08/04/2005	124,985,000	122,645,000	06/2010 to 06/2035	4.20 to 5.50	5,862,705	2,460,000
Series 2007 A	172,470,000	08/16/2007	172,470,000	172,470,000	06/2011 to 06/2037	5	8,623,500	-
Series 2007 B	82,915,000	08/16/2007	82,915,000	76,450,000	06/2010 to 06/2027	5	3,822,500	3,105,000
Series 2009 A	45,715,000	04/14/2009	45,715,000	45,710,000	06/2010 to 06/2029	2.00 to 5.375	2,094,416	5,000
Total Aviation Revenue Bonds	1,632,755,000		1,632,755,000	1,271,210,000			65,744,897	38,510,000
Total Revenue Bonds	5,177,190,000		4,594,630,000	2,986,341,162			145,429,595	132,090,221
Total All Bonds	6,749,276,553		6,069,755,000	4,270,752,417⁴			208,781,180	167,773,422

NOTES:

¹ These General Obligation Authorizations were issued as both Term and Serial Bonds.

² The balance outstanding on these issues includes zero discount bonds and compound interest bonds as follows:

Outstanding	Maturity Value	Discount
23,600,000	23,600,000	16,892,172

³ Based on latest available estimated rates.

⁴ A summary of all Bonds Outstanding is as follows:

	General Obligation Bonds	Revenue Bonds	Total
General Fund Types:			
General Fund	1,280,985,000	-	1,280,985,000
Proprietary Fund Types:			
Water Fund	3,426,255	1,715,131,162	1,718,557,417
Aviation Fund	-	1,271,210,000	1,271,210,000
Total Proprietary Funds	3,426,255	2,986,341,162	2,989,767,417
Total All Funds	1,284,411,255	2,986,341,162	4,270,752,417

City of Philadelphia
 Budgetary Comparison Schedule
 Water Operating Fund
 For the Fiscal Year Ended June 30, 2009

Schedule VIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	513,443	487,300	484,538	(2,762)
Revenue from Other Governments	2,500	2,500	674	(1,826)
Revenue from Other Funds	61,441	71,480	58,263	(13,217)
Total Revenues	577,384	561,280	543,475	(17,805)
<u>Expenditures and Encumbrances</u>				
Personal Services	115,609	111,341	105,556	5,785
Pension Contributions	37,435	38,364	38,364	-
Other Employee Benefits	36,371	39,347	39,346	1
Sub-Total Employee Compensation	189,415	189,052	183,266	5,786
Purchase of Services	122,098	113,985	100,511	13,474
Materials and Supplies	48,094	48,095	41,625	6,470
Equipment	5,881	5,880	1,788	4,092
Contributions, Indemnities and Taxes	6,603	5,079	4,977	102
Debt Service	174,254	184,254	184,253	1
Payments to Other Funds	46,039	46,039	45,775	264
Total Expenditures and Encumbrances	592,384	592,384	562,195	30,189
Operating Surplus (Deficit) for the Year	(15,000)	(31,104)	(18,720)	12,384
Fund Balance Available for Appropriation, July 1, 2008	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	15,000	16,000	18,720	2,720
Adjusted Fund Balance, July 1, 2008	15,000	16,000	18,720	2,720
Fund Balance Available for Appropriation, June 30, 2009	-	(15,104)	-	15,104

City of Philadelphia
 Budgetary Comparison Schedule
 Water Residual Fund
 For the Fiscal Year Ended June 30, 2009

Schedule IX

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	-	-	1,892	1,892
Revenue from Other Funds	<u>18,860</u>	<u>15,992</u>	<u>18,238</u>	<u>2,246</u>
Total Revenues	18,860	15,992	20,130	4,138
<u>Expenditures and Encumbrances</u>				
Payments to Other Funds	<u>19,870</u>	<u>19,870</u>	<u>4,185</u>	<u>15,685</u>
Total Expenditures and Encumbrances	<u>19,870</u>	<u>19,870</u>	<u>4,185</u>	<u>15,685</u>
Operating Surplus (Deficit) for the Year	<u>(1,010)</u>	<u>(3,878)</u>	<u>15,945</u>	<u>19,823</u>
Fund Balance Available for Appropriation, July 1, 2008	6,138	(57,648)	2,239	59,887
Fund Balance Available for Appropriation, June 30, 2009	<u>5,128</u>	<u>(61,526)</u>	<u>18,184</u>	<u>79,710</u>

City of Philadelphia
 Budgetary Comparison Schedule
 County Liquid Fuels Tax Fund
 For the Fiscal Year Ended June 30, 2009

Schedule X

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Locally Generated Non-Tax Revenue	35	12	6	(6)
Revenue from Other Governments	<u>4,915</u>	<u>4,825</u>	<u>4,763</u>	<u>(62)</u>
Total Revenues	4,950	4,837	4,769	(68)
Expenditures and Encumbrances				
Personal Services	3,284	3,284	3,284	-
Purchase of Services	1,311	1,241	590	651
Materials and Supplies	260	253	253	-
Equipment	80	157	157	-
Payments to Other Funds	<u>15</u>	<u>15</u>	<u>15</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>4,950</u>	<u>4,950</u>	<u>4,299</u>	<u>651</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(113)</u>	<u>470</u>	<u>583</u>
Fund Balance Available for Appropriation, July 1, 2008	779	888	888	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	<u>50</u>	<u>50</u>	<u>58</u>	<u>8</u>
Adjusted Fund Balance, July 1, 2008	<u>829</u>	<u>938</u>	<u>946</u>	<u>8</u>
Fund Balance Available for Appropriation, June 30, 2009	<u>829</u>	<u>825</u>	<u>1,416</u>	<u>591</u>

City of Philadelphia
Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2009

Schedule XI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	210	100	34	(66)
Revenue from Other Governments	<u>25,500</u>	<u>24,741</u>	<u>24,629</u>	<u>(112)</u>
Total Revenues	25,710	24,841	24,663	(178)
<u>Expenditures and Encumbrances</u>				
Personal Services	3,000	3,000	3,000	-
Pension Contributions	500	500	500	-
Other Employee Benefits	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Sub-Total Employee Compensation	4,000	4,000	4,000	-
Purchase of Services	15,648	15,291	14,885	406
Materials and Supplies	3,595	3,141	3,064	77
Equipment	590	1,401	1,401	-
Contributions, Indemnities and Taxes	<u>31</u>	<u>31</u>	<u>15</u>	<u>16</u>
Total Expenditures and Encumbrances	<u>23,864</u>	<u>23,864</u>	<u>23,365</u>	<u>499</u>
Operating Surplus (Deficit) for the Year	<u>1,846</u>	<u>977</u>	<u>1,298</u>	<u>321</u>
Fund Balance Available for Appropriation, July 1, 2008	10,537	10,937	10,937	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>120</u>	<u>120</u>	<u>272</u>	<u>152</u>
Adjusted Fund Balance, July 1, 2008	<u>10,657</u>	<u>11,057</u>	<u>11,209</u>	<u>152</u>
Fund Balance Available for Appropriation, June 30, 2009	<u><u>12,503</u></u>	<u><u>12,034</u></u>	<u><u>12,507</u></u>	<u><u>473</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Hotel Room Rental Tax Fund
 For the Fiscal Year Ended June 30, 2009

Schedule XII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	42,000	35,740	37,828	2,088
Locally Generated Non-Tax Revenue	<u>80</u>	<u>32</u>	<u>6</u>	<u>(26)</u>
Total Revenues	42,080	35,772	37,834	2,062
<u>Expenditures and Encumbrances</u>				
Personal Services	80	80	80	-
Contributions, Indemnities and Taxes	<u>42,000</u>	<u>42,000</u>	<u>41,039</u>	<u>961</u>
Total Expenditures and Encumbrances	<u>42,080</u>	<u>42,080</u>	<u>41,119</u>	<u>961</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(6,308)</u>	<u>(3,285)</u>	<u>3,023</u>
Fund Balance Available for Appropriation, July 1, 2008	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>3,285</u>	<u>3,285</u>
Adjusted Fund Balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>3,285</u>	<u>3,285</u>
Fund Balance Available for Appropriation, June 30, 2009	<u>-</u>	<u>(6,308)</u>	<u>-</u>	<u>6,308</u>

City of Philadelphia
Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2009

Schedule XIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	342,166	325,139	291,282	(33,857)
Revenue from Other Governments	2,500	2,500	1,934	(566)
Revenue from Other Funds	<u>1,500</u>	<u>2,000</u>	<u>887</u>	<u>(1,113)</u>
Total Revenues	346,166	329,639	294,103	(35,536)
<u>Expenditures and Encumbrances</u>				
Personal Services	67,653	67,619	60,892	6,727
Pension Contributions	19,270	20,852	20,852	-
Other Employee Benefits	<u>18,637</u>	<u>19,056</u>	<u>18,656</u>	<u>400</u>
Sub-Total Employee Compensation	105,560	107,527	100,400	7,127
Purchase of Services	99,475	99,498	78,973	20,525
Materials and Supplies	7,524	7,538	7,360	178
Equipment	5,786	5,785	2,352	3,433
Contributions, Indemnities and Taxes	4,512	2,510	938	1,572
Debt Service	114,021	114,021	99,676	14,345
Payments to Other Funds	<u>25,423</u>	<u>25,423</u>	<u>12,780</u>	<u>12,643</u>
Total Expenditures and Encumbrances	<u>362,301</u>	<u>362,302</u>	<u>302,479</u>	<u>59,823</u>
Operating Surplus (Deficit) for the Year	<u>(16,135)</u>	<u>(32,663)</u>	<u>(8,376)</u>	<u>24,287</u>
Fund Balance Available for Appropriation, July 1, 2008	59,124	61,410	61,412	2
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>15,000</u>	<u>12,000</u>	<u>2,092</u>	<u>(9,908)</u>
Adjusted Fund Balance, July 1, 2008	<u>74,124</u>	<u>73,410</u>	<u>63,504</u>	<u>(9,906)</u>
Fund Balance Available for Appropriation, June 30, 2009	<u>57,989</u>	<u>40,747</u>	<u>55,128</u>	<u>14,381</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Community Development Fund
 For the Fiscal Year Ended June 30, 2009

Schedule XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	250	250	7,641	7,391
Revenue from Other Governments	<u>116,150</u>	<u>96,150</u>	<u>51,789</u>	<u>(44,361)</u>
Total Revenues	116,400	96,400	59,430	(36,970)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>(668)</u>	<u>(668)</u>
Total Revenues and Other Sources	<u>116,400</u>	<u>96,400</u>	<u>58,762</u>	<u>(37,638)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	7,555	7,555	4,819	2,736
Pension Contributions	2,360	2,452	1,703	749
Other Employee Benefits	<u>2,411</u>	<u>2,319</u>	<u>1,520</u>	<u>799</u>
Sub-Total Employee Compensation	12,326	12,326	8,042	4,284
Purchase of Services	83,674	83,674	64,529	19,145
Materials and Supplies	267	267	217	50
Equipment	103	103	4	99
Payments to Other Funds	30	30	24	6
Advances, Subsidies, Miscellaneous	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Expenditures and Encumbrances	<u>116,400</u>	<u>116,400</u>	<u>72,816</u>	<u>43,584</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(20,000)</u>	<u>(14,054)</u>	<u>5,946</u>
Fund Balance Available for Appropriation, July 1, 2008	-	(3,225)	(3,225)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	12,236	12,236
Prior Period Adjustments	<u>-</u>	<u>3,225</u>	<u>-</u>	<u>(3,225)</u>
Adjusted Fund Balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>9,011</u>	<u>9,011</u>
Fund Balance Available for Appropriation, June 30, 2009	<u>-</u>	<u>(20,000)</u>	<u>(5,043)</u>	<u>14,957</u>

City of Philadelphia
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2009

Schedule XV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Taxes	5,000	4,500	4,805	305
Locally Generated Non-Tax Revenue	<u>150</u>	<u>100</u>	<u>80</u>	<u>(20)</u>
Total Revenues	5,150	4,600	4,885	285
<u>Expenditures and Encumbrances</u>				
Purchase of Services	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Expenditures and Encumbrances	5,000	5,000	5,000	-
Operating Surplus (Deficit) for the Year	<u>150</u>	<u>(400)</u>	<u>(115)</u>	<u>285</u>
Fund Balance Available for Appropriation, July 1, 2008	<u>5,369</u>	<u>5,742</u>	<u>5,742</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2009	<u><u>5,519</u></u>	<u><u>5,342</u></u>	<u><u>5,627</u></u>	<u><u>285</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Housing Trust Fund
 For the Fiscal Year Ended June 30, 2009

Schedule XVI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	14,700	9,400	8,644	(756)
Revenue from Other Funds	<u>1,000</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total Revenues	15,700	10,900	10,144	(756)
<u>Expenditures and Encumbrances</u>				
Personal Services	900	900	503	397
Purchase of Services	<u>20,200</u>	<u>20,200</u>	<u>17,666</u>	<u>2,534</u>
Total Expenditures and Encumbrances	21,100	21,100	18,169	2,931
Operating Surplus (Deficit) for the Year	<u>(5,400)</u>	<u>(10,200)</u>	<u>(8,025)</u>	<u>2,175</u>
Fund Balance Available for Appropriation, July 1, 2008	1,497	4,696	4,696	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>4,500</u>	<u>5,000</u>	<u>10,473</u>	<u>5,473</u>
Adjusted Fund Balance, July 1, 2008	<u>5,997</u>	<u>9,696</u>	<u>15,169</u>	<u>5,473</u>
Fund Balance Available for Appropriation, June 30, 2009	<u><u>597</u></u>	<u><u>(504)</u></u>	<u><u>7,144</u></u>	<u><u>7,648</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 General Capital Improvement Funds
 For the Fiscal Year Ended June 30, 2009

Schedule XVII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	382,253	382,553	83	(382,470)
Revenue from Other Governments	409,128	408,828	39,682	(369,146)
Revenue from Other Funds	-	-	9,645	9,645
Total Revenues	791,381	791,381	49,410	(741,971)
<u>Other Sources (Uses)</u>				
Decrease in Unreimbursed Commitments	-	-	(10,407)	(10,407)
Proceeds from Bond Sales	-	-	165,000	165,000
Discount on Bond Sales	-	-	(1,837)	(1,837)
Total Revenues and Other Sources	791,381	791,381	202,166	(589,215)
<u>Expenditures and Encumbrances</u>				
Capital Outlay	791,381	791,381	124,234	667,147
Operating Surplus (Deficit) for the Year	-	-	77,932	77,932
Fund Balance Available for Appropriation, July 1, 2008	-	-	20,621	20,621
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	6,685	6,685
Revenue Adjustments - Net	-	-	2,748	2,748
Adjusted Fund Balance, July 1, 2008	-	-	30,054	30,054
Fund Balance Available for Appropriation, June 30, 2009	-	-	107,986	107,986

City of Philadelphia
Budgetary Comparison Schedule
Wage Tax Reduction Fund
For the Fiscal Year Ended June 30, 2009

Schedule XVIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Revenue from Other Governments	<u>86,565</u>	<u>86,565</u>	<u>86,545</u>	<u>(20)</u>
Total Revenues	<u>86,565</u>	<u>86,565</u>	<u>86,545</u>	<u>(20)</u>
<u>Expenditures and Encumbrances</u>				
Payments to Other Funds	<u>86,565</u>	<u>86,565</u>	<u>86,545</u>	<u>20</u>
Total Expenditures and Encumbrances	<u>86,565</u>	<u>86,565</u>	<u>86,545</u>	<u>20</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Available for Appropriation, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Acute Care Hospital Assessment Fund
 For the Fiscal Year Ended June 30, 2009

Schedule XIX

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Tax Revenue	<u>63,250</u>	<u>63,250</u>	<u>54,716</u>	<u>(8,534)</u>
Total Revenues	<u>63,250</u>	<u>63,250</u>	<u>54,716</u>	<u>(8,534)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	2,937	2,937	-	2,937
Pension Contributions	467	467	-	467
Other Employee Benefits	<u>483</u>	<u>483</u>	-	<u>483</u>
Sub-Total Employee Compensation	<u>3,887</u>	<u>3,887</u>	-	<u>3,887</u>
Purchase of Services	58,903	58,903	50,716	8,187
Materials and Supplies	<u>460</u>	<u>460</u>	-	<u>460</u>
Total Expenditures and Encumbrances	<u>63,250</u>	<u>63,250</u>	<u>50,716</u>	<u>12,534</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Adjusted Fund Balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2009	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund

Schedule XX

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2009 (with comparative actual amounts for the Fiscal Year Ended June 30, 2008)

	Budgeted Amounts		FY 2009 Actual	Final Budget	FY 2008 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Revenue						
Taxes						
Real Property Tax:						
Current	375,358	370,780	365,637	(5,143)	366,459	(822)
Prior Years	36,000	42,000	34,420	(7,580)	36,330	(1,910)
Total Real Property Tax	<u>411,358</u>	<u>412,780</u>	<u>400,057</u>	<u>(12,723)</u>	<u>402,789</u>	<u>(2,732)</u>
Wage and Earnings Taxes:						
Current	1,136,881	1,115,331	1,105,871	(9,460)	1,176,556	(70,685)
Prior Years	6,000	12,000	11,170	(830)	8,266	2,904
Total Wage and Earnings Taxes	<u>1,142,881</u>	<u>1,127,331</u>	<u>1,117,041</u>	<u>(10,290)</u>	<u>1,184,822</u>	<u>(67,781)</u>
Business Taxes:						
Business Privilege Taxes:						
Current	405,514	340,724	367,074	26,350	376,133	(9,059)
Prior Years	36,000	25,000	18,916	(6,084)	22,695	(3,779)
Total Business Privilege Tax	<u>441,514</u>	<u>365,724</u>	<u>385,990</u>	<u>20,266</u>	<u>398,828</u>	<u>(12,838)</u>
Net Profits Tax:						
Current	10,185	8,276	9,472	1,196	9,109	363
Prior Years	3,500	3,500	2,727	(773)	3,393	(666)
Total Net Profits Tax	<u>13,685</u>	<u>11,776</u>	<u>12,199</u>	<u>423</u>	<u>12,502</u>	<u>(303)</u>
Total Business Taxes	<u>455,199</u>	<u>377,500</u>	<u>398,189</u>	<u>20,689</u>	<u>411,330</u>	<u>(13,141)</u>
Other Taxes:						
Sales Tax	139,283	128,000	128,233	233	137,275	(9,042)
Amusement Tax	17,287	18,433	21,379	2,946	17,984	3,395
Real Property Transfer Tax	186,850	110,600	115,133	4,533	184,048	(68,915)
Parking Lot Tax	69,300	69,000	70,380	1,380	55,459	14,921
Miscellaneous Taxes	2,871	2,862	2,406	(456)	2,792	(386)
Total Other Taxes	<u>415,591</u>	<u>328,895</u>	<u>337,531</u>	<u>8,636</u>	<u>397,558</u>	<u>(60,027)</u>
Total Taxes	<u>2,425,029</u>	<u>2,246,506</u>	<u>2,252,818</u>	<u>6,312</u>	<u>2,396,499</u>	<u>(143,681)</u>
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	6,443	13,221	7,378	(5,843)	4,133	3,245
Licenses and Permits	43,904	44,629	39,286	(5,343)	41,557	(2,271)
Fines, Forfeits, Penalties, Confiscated Money and Property	21,280	21,662	17,665	(3,997)	18,756	(1,091)
Interest Income	23,500	13,425	15,815	2,390	28,977	(13,162)
Service Charges and Fees	118,167	116,386	100,118	(16,268)	105,968	(5,850)
Other	40,723	66,281	76,027	9,746	66,373	9,654
Total Locally Generated Non-Tax Revenue	<u>254,017</u>	<u>275,604</u>	<u>256,289</u>	<u>(19,315)</u>	<u>265,764</u>	<u>(9,475)</u>
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	201,133	199,969	128,655	(71,314)	162,784	(34,129)
Commonwealth of Pennsylvania:						
Grants and Other Payments	519,683	536,953	519,487	(17,466)	542,843	(23,356)
Other Governmental Units	374,620	354,290	345,294	(8,996)	327,740	17,554
Total Revenue from Other Governments	<u>1,095,436</u>	<u>1,091,212</u>	<u>993,436</u>	<u>(97,776)</u>	<u>1,033,367</u>	<u>(39,931)</u>
Revenue from Other Funds						
	113,238	135,927	135,338	(589)	27,212	108,126
Total Revenues	<u>3,887,720</u>	<u>3,749,249</u>	<u>3,637,881</u>	<u>(111,368)</u>	<u>3,722,842</u>	<u>(84,961)</u>

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund

Schedule XX

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2009 (with comparative actual amounts for the Fiscal Year Ended June 30, 2008)

	Budgeted Amounts		FY 2009 Actual	Final Budget	FY 2008 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Obligations						
General Government						
City Council	17,832	17,983	14,696	3,287	14,584	112
Mayor's Office:						
Mayor's Office	7,102	10,588	9,435	1,153	5,658	3,777
Scholarships	200	200	200	-	200	-
Mural Arts Program	1,000	1,000	763	237	1,129	(366)
Labor Relations	549	549	535	14	524	11
MDO Office of Technology	38,148	38,148	36,397	1,751	34,038	2,359
Capital Program Office	3,519	3,608	3,020	588	2,363	657
Mayor's Office of Community Services	-	8	8	-	3,540	(3,532)
Transportation	500	500	411	89	-	411
Law	15,848	20,852	19,260	1,592	21,136	(1,876)
Board of Ethics	1,000	1,000	763	237	542	221
Youth Commission	100	100	51	49	-	51
City Planning Commission	3,328	3,328	3,054	274	3,398	(344)
Commission on Human Relations	2,186	2,186	2,076	110	2,122	(46)
Zoning Code Commission	500	500	382	118	239	143
Board of Revision of Taxes	8,611	9,911	8,789	1,122	8,360	429
Total General Government	100,423	110,461	99,840	10,621	97,833	2,007
Operation of Service Departments						
Housing	5,000	6,000	4,000	2,000	5,200	(1,200)
Managing Director	21,954	21,967	20,143	1,824	15,884	4,259
Police	524,002	544,120	544,120	-	533,046	11,074
Streets	145,092	150,389	140,411	9,978	136,832	3,579
Fire	192,694	197,989	191,222	6,767	189,512	1,710
Public Health	122,779	121,948	116,409	5,539	112,928	3,481
Office-Behavioral Health/Mental Retardation	14,262	14,262	14,260	2	14,136	124
Recreation	40,396	41,887	37,987	3,900	39,743	(1,756)
Fairmount Park Commission	15,740	17,114	14,876	2,238	15,074	(198)
Atwater Kent Museum	320	320	276	44	307	(31)
Camp William Penn	100	134	98	36	378	(280)
Public Property	176,853	178,486	169,732	8,754	167,061	2,671
Department of Human Services	616,309	617,758	600,655	17,103	614,856	(14,201)
Philadelphia Prisons	230,001	244,673	242,698	1,975	222,353	20,345
Office of Supportive Housing	40,210	40,210	39,437	773	40,694	(1,257)
Office of Fleet Management	63,183	63,250	54,601	8,649	67,048	(12,447)
Licenses and Inspections	27,636	27,752	26,783	969	30,534	(3,751)
Board of L & I Review	222	222	207	15	203	4
Board of Building Standards	113	113	91	22	96	(5)
Zoning Board of Adjustment	446	446	359	87	343	16
Records	7,680	7,680	6,873	807	7,634	(761)
Philadelphia Historical Commission	408	438	377	61	405	(28)
Art Museum	3,000	3,000	3,000	-	2,625	375
Philadelphia Free Library	40,245	40,408	37,533	2,875	40,607	(3,074)
Total Operations of Service Departments	2,288,645	2,340,566	2,266,148	74,418	2,257,499	8,649
Financial Management						
Office of Director of Finance	21,148	24,064	19,830	4,234	20,703	(873)
Department of Revenue	17,197	17,443	17,038	405	16,448	590
Sinking Fund Commission	202,568	191,467	186,963	4,504	172,221	14,742
Procurement	5,223	5,223	4,866	357	4,984	(118)
City Treasurer	770	770	632	138	718	(86)
Audit of City Operations	8,255	8,258	7,885	373	8,219	(334)
Total Financial Management	255,161	247,225	237,214	10,011	223,293	13,921

City of Philadelphia
 Schedule of Budgetary Actual and Estimated Revenues and Obligations
 General Fund

Schedule XX

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2009 (with comparative actual amounts for the Fiscal Year Ended June 30, 2008)

	Budgeted Amounts		FY 2009 Actual	Final Budget	FY 2008 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,004,944	998,253	973,223	25,030	983,039	(9,816)
PGW Rental Reimbursement	18,000	18,000	18,000	-	18,000	-
Community College of Philadelphia	28,468	28,468	26,468	2,000	24,468	2,000
Legal Services	37,507	37,510	37,339	171	37,259	80
Hero Award	25	36	35	1	32	3
Refunds	250	83	-	83	235	(235)
Indemnities	25,614	209	31	178	5,061	(5,030)
Witness Fees	171	168	117	51	131	(14)
Contribution to School District	38,490	38,490	38,490	-	37,000	1,490
Total City-Wide Under Director of Finance	1,153,469	1,121,217	1,093,703	27,514	1,105,225	(11,522)
Promotion and Public Relations						
City Representative	-	5,981	4,648	1,333	-	4,648
Commerce	49,511	28,508	27,761	747	45,940	(18,179)
	49,511	34,489	32,409	2,080	45,940	(13,531)
Personnel						
Civic Service Commission	169	170	165	5	149	16
Personnel Director	4,733	5,058	4,523	535	4,689	(166)
Total Personnel	4,902	5,228	4,688	540	4,838	(150)
Administration of Justice						
Clerk of Quarter Sessions	5,017	5,302	4,968	334	4,864	104
Register of Wills	3,777	3,777	3,598	179	3,522	76
District Attorney	31,987	32,125	30,882	1,243	32,003	(1,121)
Sheriff	15,272	15,706	15,706	-	15,428	278
First Judicial District	113,060	114,971	114,971	-	118,499	(3,528)
Total Administration of Justice	169,113	171,881	170,125	1,756	174,316	(4,191)
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,492	1,444	1,444	-	1,612	(168)
Conduct of Elections						
City Commissioners	8,996	9,701	9,717	(16)	9,286	431
Total Obligations	4,031,712	4,042,212	3,915,288	126,924	3,919,842	(4,554)
Operating Surplus (Deficit) for the Year	(143,992)	(292,963)	(277,407)	15,556	(197,000)	(80,407)

City of Philadelphia
 Schedule of Budgetary Actual and Estimated Revenues and Obligations
 Water Operating Fund
 For the Fiscal Year Ended June 30, 2009 (with comparative actual amounts for the Fiscal Year Ended June 30, 2008)

Schedule XXI

Amounts in thousands of USD

	Budgeted Amounts		FY 2009 Actual	Final Budget	FY 2008 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	413,836	395,152	414,381	19,229	396,682	17,699
Sales and Charges - Prior Years	42,364	40,317	11,273	(29,044)	31,076	(19,803)
Fire Service Connections	2,258	1,816	1,370	(446)	1,604	(234)
Surcharges	4,911	4,697	4,484	(213)	4,382	102
Fines and Penalties	1,038	1,038	824	(214)	988	(164)
Miscellaneous Charges	1,488	1,376	976	(400)	1,222	(246)
Charges to Other Municipalities	28,127	28,300	28,982	682	28,681	301
Licenses and Permits	1,800	1,826	2,208	382	2,101	107
Interest Income	10,340	7,200	10,050	2,850	11,607	(1,557)
Fleet Management - Sale of Vehicles & Equipment	170	225	295	70	160	135
Contributions from Sinking Fund Reserve	3,870	1,000	7,059	6,059	73,355	(66,296)
Reimbursement of Expenditures	193	193	94	(99)	555	(461)
Repair Loan Program	2,644	2,644	2,120	(524)	2,273	(153)
Other	404	1,516	422	(1,094)	363	59
Total Locally Generated Non-Tax Revenue	513,443	487,300	484,538	(2,762)	555,049	(70,511)
Revenue from Other Governments						
State	2,000	2,000	401	(1,599)	105	296
Federal	500	500	273	(227)	359	(86)
Total Revenue from Other Governments	2,500	2,500	674	(1,826)	464	210
Revenue from Other Funds	61,441	71,480	58,263	(13,217)	34,247	24,016
Total Revenues	577,384	561,280	543,475	(17,805)	589,760	(46,285)
Obligations						
Mayor's Office of Information Services	2,696	2,696	2,372	324	2,662	(290)
Managing Director	-	-	-	-	221	(221)
Public Property	3,614	3,614	3,613	1	3,045	568
Police Department	-	-	-	-	50	(50)
Office of Fleet Management	8,543	8,543	7,189	1,354	7,599	(410)
Water Department	296,955	289,818	266,273	23,545	324,410	(58,137)
Office of the Director of Finance	375	107	108	(1)	395	(287)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	37,435	38,364	38,364	-	35,389	2,975
Other Employee Benefits	36,371	39,347	39,346	1	37,126	2,220
Contributions, Indemnities and Taxes	6,500	-	-	-	-	-
Department of Revenue	22,202	22,202	17,540	4,662	18,492	(952)
Sinking Fund Commission	174,254	184,254	184,253	1	174,987	9,266
Procurement Department	68	68	66	2	67	(1)
Law	3,371	3,371	3,071	300	3,124	(53)
Total Obligations	592,384	592,384	562,195	30,189	607,567	(45,372)
Operating Surplus (Deficit) for the Year	(15,000)	(31,104)	(18,720)	12,384	(17,807)	(913)

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2009 (with comparative actual amounts for the Fiscal Year Ended June 30, 2008)

Schedule XXII

Amounts in thousands of USD

	Budgeted Amounts		FY 2009 Actual	Final Budget	FY 2008 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	32,000	32,000	26,422	(5,578)	25,536	886
Space Rentals	109,644	102,299	101,474	(825)	84,833	16,641
Landing Fees	61,000	59,000	49,708	(9,292)	46,451	3,257
Parking	35,000	35,000	31,240	(3,760)	33,570	(2,330)
Car Rentals	25,000	20,000	18,629	(1,371)	20,247	(1,618)
Payment in Aid - Terminal Building	-	-	-	-	-	-
Interest Earnings	2,500	1,800	2,163	363	4,367	(2,204)
Sale of Utilities	5,000	5,000	4,505	(495)	4,476	29
Passenger Facility Charge	35,000	33,000	32,925	(75)	32,925	-
Overseas Terminal Facility Charges	-	-	11	11	-	11
International Terminal Charge	22,000	22,000	19,733	(2,267)	18,689	1,044
Other	15,022	15,040	4,472	(10,568)	4,216	256
Total Locally Generated Non-Tax Revenue	342,166	325,139	291,282	(33,857)	275,310	15,972
Revenue from Other Governments						
Federal	2,500	2,500	1,934	(566)	1,755	179
Revenue from Other Funds						
	1,500	2,000	887	(1,113)	10,786	(9,899)
Total Revenue	346,166	329,639	294,103	(35,536)	287,851	6,252
Obligations						
Mayor's Office of Information Services	694	694	434	260	265	169
Managing Director	-	-	-	-	360	(360)
Police	13,765	13,889	13,069	820	12,984	85
Fire	5,848	5,848	5,478	370	4,972	506
Public Property	26,900	26,900	17,000	9,900	15,689	1,311
Office of Fleet Management	8,134	8,135	4,504	3,631	4,625	(121)
Director of Finance	-	-	-	-	158	(158)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	19,270	20,852	20,852	-	18,951	1,901
Other Employee Benefits	18,637	19,056	18,656	400	20,240	(1,584)
Purchase of Services	4,146	4,146	2,851	1,295	3,544	(693)
Contributions, Indemnities and Taxes	2,512	77	-	77	-	-
Sinking Fund Commission	114,021	114,021	99,676	14,345	84,529	15,147
Procurement	73	73	42	31	70	(28)
Commerce	146,300	146,609	118,196	27,850	114,927	3,269
Law	2,001	2,001	1,721	280	1,808	(87)
Total Obligations	362,301	362,301	302,479	59,259	283,122	19,357
Operating Surplus (Deficit) for the Year	(16,135)	(32,662)	(8,376)	23,723	4,729	(13,105)

Statistical Section

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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The City of Philadelphia implemented GASB Statement #34 in FY2002. Tables presenting government-wide information include information beginning in that year.



**City of Philadelphia
Net Assets by Component
For the Fiscal Years 2002 Through 2009**

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Governmental Activities</u>								
Invested in Capital Assets, Net of Related Debt	280.9	286.4	175.0	241.3	248.6	161.4	206.4	(5.8)
Restricted	427.0	426.8	484.1	516.5	471.5	689.7	641.0	833.8
Unrestricted	(1,295.5)	(453.8)	(707.0)	(1,028.6)	(1,010.9)	(1,220.5)	(1,567.1)	(2,120.6)
Total Governmental Activities Net Assets	<u>(587.6)</u>	<u>259.4</u>	<u>(47.9)</u>	<u>(270.8)</u>	<u>(290.8)</u>	<u>(369.4)</u>	<u>(719.7)</u>	<u>(1,292.6)</u>
<u>Business-Type Activities</u>								
Invested in Capital Assets, Net of Related Debt	199.1	478.6	541.0	548.4	537.4	544.0	591.8	750.6
Restricted	1,001.6	642.1	504.0	472.0	551.9	635.1	644.1	511.2
Unrestricted	(106.3)	(12.7)	91.3	269.7	273.9	257.3	266.2	269.8
Total Business-Type Activities Net Assets	<u>1,094.4</u>	<u>1,108.0</u>	<u>1,136.3</u>	<u>1,290.1</u>	<u>1,363.2</u>	<u>1,436.4</u>	<u>1,502.1</u>	<u>1,531.6</u>
<u>Primary Government</u>								
Invested in Capital Assets, Net of Related Debt	480.0	765.0	716.0	789.7	786.0	705.4	798.2	744.8
Restricted	1,428.6	1,068.9	988.1	988.5	1,023.4	1,324.8	1,285.1	1,345.0
Unrestricted	(1,401.8)	(466.5)	(615.7)	(758.9)	(737.0)	(963.2)	(1,300.9)	(1,850.8)
Total Primary Government Net Assets	<u>506.8</u>	<u>1,367.4</u>	<u>1,088.4</u>	<u>1,019.3</u>	<u>1,072.4</u>	<u>1,067.0</u>	<u>782.4</u>	<u>239.0</u>

City of Philadelphia
Changes in Net Assets
For the Fiscal Years 2002 Through 2009

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses								
Governmental Activities:								
Economic Development	97.3	127.9	127.4	89.5	89.8	92.6	116.4	116.0
Transportation:								
Streets & Highways	110.9	99.8	109.9	119.0	116.0	116.6	117.7	119.1
Mass Transit	85.2	85.9	81.3	84.9	84.5	85.1	88.3	90.5
Judiciary and Law Enforcement:								
Police	674.9	755.2	793.8	817.1	836.0	921.4	1,002.9	985.6
Prisons	201.0	223.4	237.1	250.2	268.7	293.2	311.4	339.1
Courts	265.8	253.8	277.2	284.9	287.1	304.1	321.6	318.7
Conservation of Health:								
Emergency Medical Services	25.7	29.0	30.6	34.2	35.6	36.0	37.2	36.9
Health Services	1,147.8	1,196.5	1,174.6	1,275.0	1,411.9	1,442.6	1,572.6	1,701.5
Housing and Neighborhood Development	124.8	125.2	119.0	123.0	149.5	111.2	142.1	149.1
Cultural and Recreational:								
Recreation	84.5	109.5	118.4	68.3	73.3	73.4	86.2	77.3
Parks	44.2	26.2	32.6	30.2	28.9	32.6	36.6	37.7
Libraries and Museums	66.9	63.0	67.5	80.7	68.6	90.3	87.0	92.8
Improvements to General Welfare:								
Social Services	580.4	641.5	691.2	697.6	702.0	765.5	794.1	756.3
Education	81.8	57.1	58.6	61.6	59.9	64.0	65.5	67.2
Inspections and Demolitions	50.5	44.3	81.3	79.0	55.3	64.3	47.3	27.8
Service to Property:								
Sanitation	109.1	114.8	121.0	126.0	128.8	134.4	138.0	137.8
Fire	173.0	190.2	215.4	229.6	236.1	285.3	284.8	278.6
General Management and Support	521.8	524.8	576.9	519.9	574.8	568.7	636.9	684.1
Interest on Long Term Debt	169.7	130.2	98.3	138.2	136.9	149.5	95.1	214.6
Total Governmental Activities Expenses	4,615.3	4,798.3	5,012.1	5,108.9	5,343.7	5,630.8	5,981.7	6,230.7
Business-Type Activities:								
Water and Sewer	427.7	412.9	416.9	442.3	455.4	476.2	504.3	530.8
Aviation	197.9	244.5	261.0	269.5	303.1	314.3	323.1	326.2
Industrial and Commercial Development	3.8	2.2	2.5	4.7	2.1	3.7	2.1	3.0
Total Business-Type Activities Expenses	629.4	659.6	680.4	716.5	760.6	794.2	829.5	860.0
Total Primary government Expenses	5,244.7	5,457.9	5,692.5	5,825.4	6,104.3	6,425.0	6,811.2	7,090.7
Program Revenues								
Governmental Activities:								
Charges for Services:								
Economic Development	15.1	0.2	6.9	0.1	-	-	-	0.3
Transportation:								
Streets & Highways	1.3	1.1	1.5	1.9	2.2	3.5	3.9	2.8
Mass Transit	0.4	0.6	0.5	0.5	0.6	0.6	0.5	0.4
Judiciary and Law Enforcement:								
Police	1.4	2.2	2.4	2.2	7.2	1.7	4.3	5.0
Prisons	0.7	0.4	0.5	0.4	0.4	0.3	0.3	0.4
Courts	72.4	50.9	52.5	48.4	51.5	51.5	52.7	51.8
Conservation of Health:								
Emergency Medical Services	18.6	20.1	20.7	23.1	25.0	27.7	27.6	37.5
Health Services	10.0	10.2	11.6	13.5	14.0	12.6	15.3	14.4
Housing and Neighborhood Development	2.3	18.9	12.0	10.0	22.3	45.2	25.2	31.3
Cultural and Recreational:								
Recreation	14.5	14.3	13.0	0.8	0.4	0.2	0.3	3.2
Parks	1.6	1.9	1.7	0.9	0.4	0.5	1.5	0.6
Libraries and Museums	0.3	0.3	0.4	0.5	0.9	0.9	0.8	1.3
Improvements to General Welfare:								
Social Services	8.8	8.8	6.9	7.6	7.4	7.3	6.4	7.6
Education	-	-	-	-	-	-	-	1.1
Inspections and Demolitions	0.5	0.5	0.8	0.7	0.7	44.4	44.9	40.3
Service to Property:								
Sanitation	1.2	1.8	2.0	2.1	1.8	-	3.1	2.9
Fire	0.3	0.1	0.1	0.5	0.4	0.7	0.2	0.7
General Management and Support	127.0	150.7	138.2	130.8	179.1	107.5	110.6	131.9
Operating Grants and Contributions	1,834.2	1,907.2	1,958.7	2,067.2	2,142.1	2,204.9	2,339.9	2,438.1
Capital Grants and Contributions	19.9	17.3	19.6	9.1	21.4	15.8	10.0	35.0
Total Governmental Activities Program Revenues	2,130.5	2,207.5	2,250.0	2,320.3	2,477.8	2,525.3	2,647.5	2,806.6

City of Philadelphia
Changes in Net Assets
For the Fiscal Years 2002 Through 2009

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Business-Type Activities:								
Charges for Services:								
Water and Sewer	350.9	385.4	401.6	450.6	470.8	493.6	503.3	499.7
Aviation	201.2	230.5	251.9	278.4	295.0	309.2	303.2	251.7
Industrial and Commercial Development	3.2	1.2	1.2	1.1	1.2	1.5	1.5	0.5
Operating Grants and Contributions	11.0	8.9	4.8	2.0	2.5	2.8	5.4	2.6
Capital Grants and Contributions	23.8	17.8	21.0	20.7	25.3	22.4	36.6	109.4
Total Business-Type Activities Program Revenues	<u>590.1</u>	<u>643.8</u>	<u>680.5</u>	<u>752.8</u>	<u>794.8</u>	<u>829.5</u>	<u>850.0</u>	<u>863.9</u>
Total Primary Government Revenues	<u>2,720.6</u>	<u>2,851.3</u>	<u>2,930.5</u>	<u>3,073.1</u>	<u>3,272.6</u>	<u>3,354.8</u>	<u>3,497.5</u>	<u>3,670.5</u>
Net (Expense)/Revenue								
Governmental Activities	(2,484.8)	(2,590.8)	(2,762.1)	(2,788.6)	(2,865.9)	(3,105.5)	(3,334.2)	(3,424.1)
Business-Type Activities	<u>(39.3)</u>	<u>(15.8)</u>	<u>0.1</u>	<u>36.3</u>	<u>34.2</u>	<u>35.3</u>	<u>20.5</u>	<u>3.9</u>
Total Primary Government Net Expense	<u>(2,524.1)</u>	<u>(2,606.6)</u>	<u>(2,762.0)</u>	<u>(2,752.3)</u>	<u>(2,831.7)</u>	<u>(3,070.2)</u>	<u>(3,313.7)</u>	<u>(3,420.2)</u>
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes:								
Property Taxes	351.7	362.7	374.4	381.8	386.3	399.2	401.3	409.2
Wage & Earnings Taxes	1,271.2	1,301.9	1,345.9	1,373.0	1,424.9	1,498.5	1,524.5	1,465.5
Business Taxes	307.9	306.9	319.2	367.9	430.2	453.7	414.5	407.6
Other Taxes	286.1	294.7	342.1	406.4	457.7	460.3	457.0	435.0
Unrestricted Grants & Contributions	61.1	61.2	47.1	84.3	81.7	104.1	104.7	107.8
Interest & Investment Earnings	35.2	57.5	26.0	32.9	60.2	81.8	65.3	46.1
Special Items	-	(99.3)	-	-	-	-	-	-
Transfers	4.1	4.1	-	4.4	5.0	4.9	4.9	4.2
Total Governmental Activities	<u>2,317.3</u>	<u>2,289.7</u>	<u>2,454.7</u>	<u>2,650.7</u>	<u>2,846.0</u>	<u>3,002.5</u>	<u>2,972.2</u>	<u>2,875.4</u>
Business-Type Activities:								
Interest & Investment Earnings	45.4	33.5	6.6	15.8	43.8	45.7	48.7	22.9
Transfers	<u>(6.9)</u>	<u>(4.1)</u>	<u>-</u>	<u>(4.4)</u>	<u>(4.9)</u>	<u>(4.9)</u>	<u>(4.9)</u>	<u>(4.2)</u>
Total Business-Type Activities	<u>38.5</u>	<u>29.4</u>	<u>6.6</u>	<u>11.4</u>	<u>38.9</u>	<u>40.8</u>	<u>43.8</u>	<u>18.7</u>
Total Primary Government	<u>2,355.8</u>	<u>2,319.1</u>	<u>2,461.3</u>	<u>2,662.1</u>	<u>2,884.9</u>	<u>3,043.3</u>	<u>3,016.0</u>	<u>2,894.1</u>
Change in Net Assets								
Governmental Activities	(167.5)	(301.1)	(307.4)	(137.9)	(19.9)	(103.0)	(362.0)	(548.7)
Business-Type Activities	<u>(0.8)</u>	<u>13.6</u>	<u>6.7</u>	<u>47.7</u>	<u>73.1</u>	<u>76.1</u>	<u>64.3</u>	<u>22.6</u>
Total Primary Government	<u>(168.3)</u>	<u>(287.5)</u>	<u>(300.7)</u>	<u>(90.2)</u>	<u>53.2</u>	<u>(26.9)</u>	<u>(297.7)</u>	<u>(526.1)</u>

**City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2002 Through 2009**

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund								
Reserved	337.5	240.9	152.2	190.7	193.3	335.2	258.8	199.0
Unreserved	<u>139.0</u>	<u>(7.9)</u> ¹	<u>(148.1)</u>	<u>(36.4)</u>	<u>111.2</u>	<u>152.7</u>	<u>(24.3)</u>	<u>(274.6)</u>
Total General Fund	<u>476.5</u>	<u>233.0</u>	<u>4.1</u>	<u>154.3</u>	<u>304.5</u>	<u>487.9</u>	<u>234.5</u>	<u>(75.6)</u>
All Other Governmental Funds								
Reserved	490.5	455.7	378.0	487.5	585.1	557.5	515.2	535.7
Unreserved, reported in:								
Special Revenue Funds	6.8	64.8	98.9	100.8	(52.0)	30.0	52.5	(0.9)
Debt Service funds	1.8	1.7	1.6	1.7	1.7	1.5	1.6	1.4
Capital Projects Funds	6.8	(98.1)	80.9	(6.3)	(67.1)	103.0	21.0	196.1
Permanent Funds	<u>2.4</u>	<u>3.1</u>	<u>3.2</u>	<u>3.4</u>	<u>3.7</u>	<u>4.3</u>	<u>3.9</u>	<u>2.7</u>
Total All Other Governmental Funds	<u>508.3</u>	<u>427.2</u>	<u>562.6</u>	<u>587.1</u>	<u>471.4</u>	<u>696.3</u>	<u>594.2</u>	<u>735.0</u>

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 occurred.

**City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2002 Through 2009**

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues								
Tax Revenue	2,255.6	2,253.8	2,379.0	2,535.2	2,708.5	2,805.1	2,781.8	2,705.2
Locally Generated Non-Tax Revenue	298.4	339.8	280.0	265.2	354.5	381.7	349.7	349.3
Revenue from Other Governments	1,790.2	2,049.5	1,922.3	2,242.0	2,223.2	2,376.6	2,468.4	2,564.9
Other Revenues	13.6	17.3	18.5	16.7	15.3	17.1	17.9	49.6
Total Revenues	<u>4,357.8</u>	<u>4,660.4</u>	<u>4,599.8</u>	<u>5,059.1</u>	<u>5,301.5</u>	<u>5,580.5</u>	<u>5,617.8</u>	<u>5,669.0</u>
Expenditures								
Current Operating:								
Economic Development	91.7	170.4	157.0	92.7	81.5	85.5	112.3	107.0
Transportation:								
Streets & Highways	71.8	78.1	75.9	77.7	78.8	89.2	89.7	89.9
Mass Transit	56.9	57.5	52.9	56.6	56.7	58.1	61.7	63.7
Judiciary and Law Enforcement:								
Police	665.2	727.3	752.0	770.9	798.0	860.2	951.9	933.9
Prisons	194.8	214.3	224.5	241.3	256.6	278.1	298.2	326.9
Courts	265.7	246.5	267.8	276.9	278.2	292.3	311.1	310.5
Conservation of Health:								
Emergency Medical Services	25.7	28.4	29.7	33.3	34.8	34.9	36.0	36.2
Health Services	1,146.0	1,192.7	1,170.3	1,271.1	1,407.7	1,436.8	1,567.6	1,695.0
Housing and Neighborhood								
Development	123.5	120.7	119.0	122.9	147.9	109.2	141.9	148.4
Cultural and Recreational:								
Recreation	64.4	94.0	65.7	58.3	59.8	62.2	74.3	65.1
Parks	32.5	24.2	23.8	23.7	23.4	26.3	28.9	31.8
Libraries and Museums	62.5	64.4	61.1	68.2	70.2	83.2	84.2	81.0
Improvements to General Welfare:								
Social Services	578.6	636.1	683.4	689.1	695.9	756.7	778.2	743.1
Education	81.8	57.1	58.6	61.5	59.9	64.0	65.5	67.2
Inspections and Demolitions	50.9	46.6	83.6	81.2	59.8	63.0	46.3	33.1
Service to Property:								
Sanitation	109.1	111.5	117.8	122.0	125.6	129.5	132.9	134.6
Fire	170.3	188.0	203.0	217.8	225.8	267.6	276.4	266.9
General Management and Support	420.8	450.9	472.4	477.1	537.5	563.7	618.4	693.8
Capital Outlay	277.8	162.2	126.0	103.1	97.9	92.3	105.8	126.9
Debt Service:								
Principal	130.0	106.8	105.7	95.8	86.2	91.5	94.1	87.6
Interest	116.0	112.3	101.6	101.0	99.9	103.4	100.0	105.7
Bond Issuance Cost	-	-	9.2	3.9	-	5.0	24.2	8.5
Total Expenditures	<u>4,736.0</u>	<u>4,890.0</u>	<u>4,961.0</u>	<u>5,046.1</u>	<u>5,282.1</u>	<u>5,552.7</u>	<u>5,999.6</u>	<u>6,156.8</u>
Excess of Revenues Over (Under) Expenditures	(378.2)	(229.6)	(361.2)	13.0	19.4	27.8	(381.8)	(487.8)
Other Financing Sources (Uses)								
Issuance of Debt	-	165.5	487.7	157.3	10.0	353.1	1,303.8	262.9
Issuance of Refunding Debt	-	-	-	-	-	-	-	354.9
Bond Issuance Premium	-	-	4.8	-	-	13.8	31.1	26.7
Proceeds from Lease & Service Agreements	468.2	-	10.9	-	-	-	-	(3.1)
Bond Defeasance	-	(165.4)	(233.1)	-	-	-	(1,313.7)	(326.9)
Transfers In	703.5	449.4	442.9	581.4	433.1	460.1	465.2	574.5
Transfers Out	(693.5)	(445.2)	(442.9)	(577.0)	(428.1)	(455.1)	(460.2)	(570.3)
Total Other Financing Sources (Uses)	<u>478.2</u>	<u>4.3</u>	<u>270.3</u>	<u>161.7</u>	<u>15.0</u>	<u>371.9</u>	<u>26.2</u>	<u>318.7</u>
Special Items								
Business Privilege Tax Adjustment	-	(99.3) ¹	-	-	-	-	-	-
Net Change in Fund Balances	<u>100.0</u>	<u>(324.6)</u>	<u>(90.9)</u>	<u>174.7</u>	<u>34.4</u>	<u>399.7</u>	<u>(355.6)</u>	<u>(169.1)</u>
Debt Service as a Percentage of Non-capital Expenditures	5.6%	4.7%	4.3%	4.0%	3.6%	3.6%	3.3%	3.2%

¹ Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. \$99.3 million of these estimated tax payments were deferred in the general fund in FY2003 because the underlying events had not occurred.

City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2000 through 2009

Table 5

Amounts in millions of USD

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Additions:										
Contributions:										
Employee Contributions	50.2	49.3	50.1	52.5	50.5	49.3	48.9	49.2	51.7	54.0
Employer's:										
City of Philadelphia	179.5	163.5	174.2	174.6	196.6	290.6	321.3	419.2	412.4	440.0
Quasi-Governmental Agencies	4.5	4.1	4.0	5.2	6.2	8.6	10.4	13.1	14.5	15.4
<u>Total Employer's Contributions</u>	<u>184.0</u>	<u>167.6</u>	<u>178.2</u>	<u>179.8</u>	<u>202.8</u>	<u>299.2</u>	<u>331.7</u>	<u>432.3</u>	<u>426.9</u>	<u>455.4</u>
<u>Total Contributions</u>	<u>234.2</u>	<u>216.9</u>	<u>228.3</u>	<u>232.3</u>	<u>253.3</u>	<u>348.5</u>	<u>380.6</u>	<u>481.5</u>	<u>478.6</u>	<u>509.4</u>
Interest & Dividends	124.9	133.8	109.3	74.4	68.4	74.6	65.1	80.3	97.1	75.6
Net Gain (Decline) in Fair Value of Investments	318.7	(422.8)	(359.6)	(3.9)	526.6	306.2	386.4	684.7	(322.0)	(945.6)
Net Securities Lending Revenue	1.5	2.0	2.2	1.0	0.8	0.9	0.7	1.1	7.4	5.7
Net Investment Income (Loss)	445.1	(287.0)	(248.1)	71.5	595.8	381.7	452.2	766.1	(217.5)	(864.3)
Miscellaneous Operating Revenue	0.2	0.6	0.7	2.4	1.3	0.4	2.1	2.1	1.1	1.0
<u>Total Additions</u>	<u>679.5</u>	<u>(69.5)</u>	<u>(19.1)</u>	<u>306.2</u>	<u>850.4</u>	<u>730.6</u>	<u>834.9</u>	<u>1,249.7</u>	<u>262.2</u>	<u>(353.9)</u>
Deductions:										
Pension Benefits	444.3	456.8	450.2	462.3	657.5	590.6	608.6	655.8	725.7	681.1
Refunds to Members	4.2	4.7	7.1	4.9	4.1	4.6	4.8	4.5	4.2	4.8
Administrative Costs	4.9	5.3	5.2	6.6	6.4	6.8	6.7	6.7	7.6	8.4
<u>Total Deductions</u>	<u>453.4</u>	<u>466.8</u>	<u>462.5</u>	<u>473.8</u>	<u>668.0</u>	<u>602.0</u>	<u>620.1</u>	<u>667.0</u>	<u>737.5</u>	<u>694.3</u>
Net Increase (Decrease)	226.1	(536.3)	(481.6)	(167.6)	182.4	128.6	214.8	582.7	(475.3)	(1,048.1)
Net Assets: Adjusted Opening	4,750.3	4,976.4	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0
Closing	<u>4,976.4</u>	<u>4,440.1</u>	<u>3,958.5</u>	<u>3,790.8</u>	<u>3,973.2</u>	<u>4,101.8</u>	<u>4,316.6</u>	<u>4,899.3</u>	<u>4,424.0</u>	<u>3,375.9</u>
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	965.87%	1024.22%	1046.98%	971.22%	1417.03%	1321.25%	1380.05%	1467.11%	1527.79%	1383.30%
Closing Net Assets	8.93%	10.29%	11.37%	12.20%	16.55%	14.40%	14.10%	13.39%	16.40%	20.18%
Coverage of Additions over Deductions	149.87%	-14.89%	-4.13%	64.63%	127.31%	121.36%	134.64%	187.36%	35.55%	-50.97%
Investment Earnings as % of Pension Benefits	100.18%	-62.83%	-55.11%	15.47%	90.62%	64.63%	74.30%	116.82%	-29.97%	-126.90%

¹ Includes \$1,250 million from the sale of Pension Obligation Bonds

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 1999 Through 2008

Table 6

Amounts in millions of USD

Year	City Residents			Non-City Residents			Total Taxable Income	Total Direct Rate
	Taxable Income	% of Total	Direct Rate ^{1,2}	Taxable Income	% of Total	Direct Rate ^{1,2}		
1999	15,903.0	58.82%	4.65020%	11,133.8	41.18%	4.04310%	27,036.8	4.40020%
2000	16,759.8	59.07%	4.58850%	11,611.4	40.93%	3.98920%	28,371.2	4.34323%
2001	17,478.3	59.25%	4.55100%	12,020.4	40.75%	3.95670%	29,498.7	4.30883%
2002	17,615.6	59.54%	4.51930%	11,969.4	40.46%	3.92950%	29,585.0	4.28068%
2003	18,073.7	58.86%	4.48130%	12,635.0	41.14%	3.89640%	30,708.7	4.24064%
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	20,942.9	57.03%	4.26000%	15,782.7	42.97%	3.75570%	36,725.6	4.04328%
2008	21,967.0	57.07%	4.09950%	16,522.2	42.93%	3.63170%	38,489.2	3.89869%

Note:

The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

¹ For the years 1999 through 2003 the rate changed on July 1st. For those years the direct rate is an average of the two rates involved during the calendar year.

² In 2008, the rate changed on January 1st and July 1st. The direct rate is an average of the two rates involved during that calendar year.

City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2000 through 2009

Table 7

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Tax Classification										
Wage and Earnings Tax:										
^a City Residents	4.6135%	4.5635%	4.5385%	4.5000%	4.4625%	4.3310% ^b	4.3010% ^b	4.2600% ^b	4.2190% ^b	3.9300% ^b
Non-City Residents	4.0112%	3.9672%	3.9462%	3.9127%	3.8801%	3.8197% ^b	3.7716% ^b	3.7557% ^b	3.7242% ^b	3.5000% ^b
Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.										
^d Real Property: (% on Assessed Valuation)										
City	3.745%	3.745%	3.745%	3.474%	3.474%	3.474%	3.474%	3.474%	3.305%	3.305%
School District of Philadelphia	4.519%	4.519%	4.519%	4.790%	4.790%	4.790%	4.790%	4.790%	4.959%	4.959%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%
^e Assessment Ratio	30.35%	30.32%	30.33%	30.12%	30.02%	29.70%	29.69%	29.24%	29.22%	28.86%
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.508%	2.506%	2.506%	2.489%	2.481%	2.454%	2.454%	2.416%	2.415%	2.385%
The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest. If you pay your bill on or before the last day of February, you receive a 1% discount.										
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate. Certain long term leases are also subject to this tax.										
Business Privilege Taxes										
(% on Gross Receipts)	0.2650%	0.2525%	0.2400%	0.2400% ^c	0.2300% ^c	0.2100% ^c	0.1900% ^c	0.1665% ^c	0.1540% ^c	0.1415% ^c
^f (% on Net Income)	6.5000%	6.5000%	6.5000%	6.5000% ^c	6.5000% ^c	6.5000% ^c	6.5000% ^c	6.5000% ^c	6.5000% ^c	6.4500% ^c
Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BPT Return.										
^g Net Profits Tax:										
^a City Residents	4.6135%	4.5635%	4.5385%	4.5000%	4.4625%	4.4625%	4.3310%	4.3010%	4.2600%	3.9800%
Non-City Residents	4.0112%	3.9672%	3.9462%	3.9127%	3.8801%	3.8801%	3.8197%	3.7716%	3.7557%	3.5392%
Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.										

City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2000 through 2009

Table 7

<u>Tax Classification</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Amusement Tax										
	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged										
Parking Lot Tax										
	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	20.0%
Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City										
Hotel Room Rental Tax										
	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	7.2%
Rate of Tourism & Marketing Tax										
	-	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	6.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.2%
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building 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%
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 2009, from July 1 through December 31, 2008 the rates were 3.9800% and 3.5392%.

^c Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

^d Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

^e The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

^f 60% of the Net Income portion of the Business Privilege Tax is allowed to be credited against the Net Profits Tax

City of Philadelphia
Principal Wage and Earnings Tax Remitters ¹
Current Calendar Year and Nine Years Ago

Table 8

Amounts in millions of USD

Remittance Range	2008			1999		
	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted
Greater than \$10 million	13	336.1	22.40%	10	239.1	20.10%
Between \$1 million & \$10 million	158	405.3	27.01%	110	310.4	26.10%
Between \$100,000 & \$1 million	1,567	406.2	27.07%	1,252	327.9	27.57%
Between \$10,000 & \$100,000	8,872	266.3	17.75%	7,897	231.1	19.43%
Less than \$10,000	36,887	86.4	5.77%	36,582	80.9	6.80%
Total	47,497	1,500.3	100.00%	45,851	1,189.4	100.00%

¹ Wage & Earnings information for individual remitters is confidential

City of Philadelphia
Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2000 through 2009

Table 9

Amounts in millions of USD

Calendar Year of Levy ¹	Assessed Value ³	Less: Tax-Exempt Property ^{2,3}	Total Taxable Assessed Value	Total Direct Tax Rate ⁴	STEB Ratio ⁵	Estimated Actual Taxable Value (STEB)	Sales Ratio ⁶	Estimated Actual Taxable Value (Sales)
2000	12,864	3,413	9,451	3.745%	30.35%	31,140	23.70%	39,878
2001	13,254	3,513	9,741	3.745%	30.32%	32,127	25.46%	38,260
2002	13,762	3,603	10,159	3.745%	30.33%	33,495	25.18%	40,346
2003	14,326	3,705	10,621	3.474%	30.12%	35,262	22.58%	47,037
2004	14,813	3,867	10,946	3.474%	30.02%	36,462	24.21%	45,213
2005	15,072	4,040	11,032	3.474%	29.70%	37,145	23.73%	46,490
2006	15,803	4,372	11,431	3.474%	29.69%	38,501	17.42%	65,620
2007	16,243	4,628	11,615	3.474%	29.24%	39,723	17.94%	64,744
2008	16,974	4,799	12,175	3.305%	29.22%	41,667	16.44%	74,057
2009	17,352	5,146	12,206	3.305%	28.86%	42,294	NA	NA

¹ Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

² Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

³ Source: Board of Revision of Taxes

⁴ per \$1,000.00 of assessed value

⁵ The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13

⁶ This ratio is compiled by the Board of Revision of Taxes based on sales of property during the year.

**City of Philadelphia
Principal Property Tax Payers
Current Year and Nine Years Ago**

Table 10

Amounts in millions of USD

<u>Taxpayer</u>	<u>2009</u>			<u>2000</u>		
	<u>Assessment</u> ¹	<u>Rank</u>	<u>Percentage of Total Assessments</u>	<u>Assessment</u> ¹	<u>Rank</u>	<u>Percentage of Total Assessments</u>
Franklin Mills Associates	57.6	1	0.47	48.1	4	0.51
Phila Liberty Pla E Lp	54.4	2	0.45	65.6	1	0.69
Nine Penn Center Associates	54.1	3	0.44	52.0	3	0.55
HUB Properties Trust	48.0	4	0.39	-		-
Bell Atlantic	40.6	5	0.33	43.7	6	0.46
PRU 1901 Market LLC	35.2	6	0.29	31.6	8	0.33
Maguire/Thomas	33.9	7	0.28	31.6	9	0.33
Commerce Square Partners	33.3	8	0.27	31.0	10	0.33
Phila Shipyard Development Corp	30.3	9	0.25	-		-
Philadelphia Market Street	28.8	10	0.24	32.1	7	0.34
C S F Partnership	-		-	56.6	2	0.60
LP Associates	-		-	44.8	5	0.47
	<u>416.2</u>		<u>3.41</u>	<u>437.1</u>		<u>4.62</u>
Total Taxable Assessments	<u><u>12,206.0</u></u>		<u><u>100.00</u></u>	<u><u>9,451.6</u></u>		<u><u>100.00</u></u>

¹ Source: Board of Revision of Taxes

City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2000 through 2009

Table 11

Amounts in millions of USD

Calendar Year of Levy ¹	Taxes Levied for the Year	Collected within the Year of the Levy		Collected in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount ²	Percentage of Levy
2000	349.3	322.0	92.2%	25.0	347.0	99.3%
2001	356.6	326.7	91.6%	24.7	351.4	98.5%
2002	368.2	340.4	92.4%	24.6	365.0	99.1%
2003	359.4	326.8	90.9%	25.3	352.1	98.0%
2004	372.5	340.9	91.5%	23.4	364.3	97.8%
2005	373.5	350.3	93.8%	18.6	368.9	98.8%
2006	385.6	339.6	88.1%	18.0	357.6	92.7%
2007	391.7	347.5	88.7%	14.4	361.9	92.4%
2008	390.2	346.4	88.8%	7.1	353.5	90.6%
2009	396.5	315.4 ³	79.6%	n/a	315.4	79.6%

¹ Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

² Includes collections through June 30, 2009.

³ Includes collections through June 30, 2009. It is estimated that approximately 91% of the amount levied for 2009 will be collected within the year of levy.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2000 through 2009

Table 12

Amounts in millions of USD (except per capita)

Fiscal Year	Governmental Activities								Business-Type Activities				Total Primary Government	% of Personal Income ¹	Per Capita
	General Obligation Bonds	Pension Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities			
2000	1,964.6	1,303.0	-	-	-	-	-	3,267.6	38.5	1,738.7	962.2	2,739.4	6,007.0	0.2	3,952.0
2001	2,137.6	1,296.8	-	-	-	-	-	3,434.4	24.5	1,679.5	943.0	2,647.0	6,081.4	0.2	4,016.8
2002	2,009.5	1,386.6	142.6	55.8	346.8	-	-	3,941.3	19.2	1,722.2	1,123.0	2,864.4	6,805.7	0.2	4,540.2
2003	1,903.3	1,394.6	139.2	54.7	342.0	-	-	3,833.8	15.5	1,670.8	1,104.8	2,791.1	6,624.9	0.2	4,461.2
2004	2,047.1	1,416.4	146.5	53.5	341.9	-	-	4,005.4	11.6	1,614.7	1,073.1	2,699.4	6,704.8	0.2	4,551.8
2005	1,950.8	1,429.7	285.3	52.2	341.1	-	-	4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	0.2	4,747.6
2006	1,863.8	1,439.2	279.8	50.9	339.6	10.1	-	3,983.4	7.0	1,747.3	1,168.8	2,923.1	6,906.5	0.2	4,740.2
2007	1,993.7	1,444.9	273.9	49.6	334.0	9.7	139.6	4,245.4	5.8	1,674.3	1,141.0	2,821.1	7,066.5	0.1	4,870.1
2008	1,899.1	1,446.6	267.8	47.7	328.8	9.3	136.6	4,135.9	4.6	1,590.0	1,282.2	2,876.8	7,012.7	0.1	4,839.7
2009	2,093.8	1,443.8	261.5	46.3	323.6	8.9	133.3	4,311.2	3.4	1,648.7	1,250.4	2,902.5	7,213.7	0.1	4,684.2

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See Table 17 for Personal Income and Population Amounts

City of Philadelphia
Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2000 through 2009

Table 13

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
2000	1,964.6	9,451.6	30.35%	31,142.0	6.31%	1,292.50
2001	2,137.6	9,740.8	30.32%	32,126.6	6.65%	1,411.89
2002	2,009.5	10,158.6	30.33%	33,493.6	6.00%	1,340.56
2003	1,903.3	10,621.1	30.12%	35,262.6	5.40%	1,279.96
2004	2,047.1	10,945.9	30.02%	36,462.0	5.61%	1,387.86
2005	1,950.8	11,031.8	29.70%	37,144.1	5.25%	1,327.98
2006	1,863.8	11,430.6	29.69%	38,499.8	4.84%	1,276.58
2007	1,993.7	11,615.0	29.24%	39,723.0	5.02%	1,372.13
2008	1,899.1	12,175.2	29.22%	41,667.4	4.56%	1,309.72
2009	2,093.8	12,205.6	28.86%	42,292.4	4.95%	1,359.61

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

¹ Source: Board of Revision of Taxes

² The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

³ See Table 17 for Population Amounts

City of Philadelphia
Direct and Overlapping Governmental Activities Debt
June 30, 2009

Table 14

Amounts in millions of USD

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>Governmental Unit</u>			
School District of Philadelphia	<u>2,892.8</u>	<u>100.00%</u>	<u>2,892.8</u>
¹ City Direct Debt			<u>4,311.2</u>
Total Direct and Overlapping Debt			<u><u>7,204.0</u></u>

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundaries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundaries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

¹ Refer to Table 12

City of Philadelphia
 Legal Debt Margin Information
 For the Fiscal Years 2000 through 2009

Table 15

Amounts in Millions of USD

<u>Legal Debt Margin Calculation for FY2009</u>	
¹ Assessed Value	10,884.3
² Debt Limit	1,469.4
³ Debt Applicable to Limit:	
Tax Supported General Obligation Debt:	
Issued & Outstanding	1,278.6
Authorized but Unissued	73.7
Total	<u>1,352.3</u>
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total Net Debt Applicable to Limit	<u>1,352.3</u>
Legal Debt Margin	<u><u>117.1</u></u>

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit	1,241.5	1,247.4	1,253.2	1,261.3	1,280.3	1,304.8	1,335.6	1,374.7	1,418.0	1,469.4
Total Net Debt Applicable to Limit	<u>939.2</u>	<u>1,152.7</u>	<u>1,163.6</u>	<u>1,202.2</u>	<u>1,159.1</u>	<u>1,205.5</u>	<u>1,185.8</u>	<u>1,293.4</u>	<u>1,329.3</u>	<u>1,352.3</u>
Legal Debt Margin	<u>302.3</u>	<u>94.7</u>	<u>89.6</u>	<u>59.1</u>	<u>121.2</u>	<u>99.3</u>	<u>149.8</u>	<u>81.3</u>	<u>88.7</u>	<u>117.1</u>
Total Net Debt Applicable to the Limit as a Percent of Total Debt	75.65%	92.41%	92.85%	95.31%	90.53%	92.39%	88.78%	94.09%	93.74%	92.03%

¹ Average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

² Thirteen and one-half percent (13.5%) of the average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

³ Refer to Purdon's Statutes 53 P.S. Section 15721

City of Philadelphia
Pledged-Revenue Coverage
For the Fiscal Years 2000 through 2009

Table 16

Amounts in millions of USD

No.		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Water and Sewer Revenue Bonds											
1	Total Revenue and Beginning Fund Balance	391.8	380.6	390.8	454.2	421.6	463.5	504.0	536.2	597.8	527.5
2	Net Operating Expenses	237.8	242.6	242.9	250.2	262.0	277.7	284.2	303.2	334.7	342.6
3	Transfer To (From) Rate Stabilization Fund	(22.4)	(39.4)	(26.3)	16.8	(28.8)	(0.6)	21.6	26.0	(9.8)	(34.7)
4	Net Revenues	176.4	177.4	174.2	187.2	188.4	186.4	198.2	207.0	272.9	219.6
Debt Service:											
5	Revenue Bonds Outstanding	147.0	147.8	145.2	156.1	157.0	155.4	165.2	172.7	173.8	183.0
6	General Obligation Bonds Outstanding	1.5	1.3	0.6	-	-	-	-	-	-	-
7	Pennvest Loan	1.2	1.3	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2
8	Total Debt Service	149.7	150.4	147.4	157.3	158.2	156.6	166.4	173.9	175.0	184.2
9	Net Revenue after Debt Service	26.7	27.0	26.8	29.9	30.2	29.8	31.8	33.1	97.9	35.4
10	Transfer to General Fund	4.1	4.1	4.1	4.1	-	4.4	5.0	5.0	5.0	4.2
11	Transfer to Capital Fund	15.9	15.9	16.1	16.0	16.4	16.7	16.9	16.9	16.9	17.1
12	Transfer to Residual Fund	6.7	7.0	6.6	9.8	13.8	8.7	9.9	11.2	76.0	14.1
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Debt Service Coverage:											
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.57	1.20
	Coverage B (Line 4/Line 8 + Line 11)	1.07	1.07	1.07	1.08	1.08	1.08	1.08	1.08	1.42	1.09
Airport Revenue Bonds											
1	Fund Balance	-	-	-	-	-	-	-	10.2	42.6	61.4
2	Project Revenues	130.4	148.0	146.5	168.4	183.3	185.1	200.8	211.3	250.5	255.3
3	Passenger Facility Charges	-	-	16.8	31.2	32.8	32.9	32.6	32.9	32.9	32.9
4	Total Fund Balance and Revenue	130.4	148.0	163.3	199.6	216.1	218.0	233.4	254.4	326.0	349.6
5	Net Operating Expenses	51.8	59.6	56.3	67.0	71.9	71.3	77.2	87.1	99.8	99.5
6	Interdepartmental Charges	35.3	36.0	39.7	46.1	52.2	57.6	57.9	70.6	89.1	89.0
7	Total Expenses	87.1	95.6	96.0	113.1	124.1	128.9	135.1	157.7	188.9	188.5
Available for Debt Service:											
8	Revenue Bonds (Line 4-Line 5)	78.6	88.4	107.0	132.6	144.2	146.7	156.2	167.3	226.2	250.1
9	All Bonds (Line 4-Line 7)	43.3	52.4	67.3	86.5	92.0	89.1	98.3	96.7	137.1	161.1
Debt Service:											
10	Revenue Bonds	36.5	44.8	64.1	83.2	89.7	88.1	88.1	85.5	84.4	95.6
11	General Obligation Bonds	5.7	5.7	2.0	1.4	1.0	1.1	-	-	-	-
12	Total Debt Service	42.2	50.5	66.1	84.6	90.7	89.2	88.1	85.5	84.4	95.6
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.15	1.97	1.67	1.59	1.61	1.67	1.77	1.96	2.68	2.62
	Total Debt Service - Test "B" (Line 9/Line 12)	1.03	1.04	1.02	1.02	1.01	1.00	1.12	1.13	1.62	1.69

Note:

The rate covenant of the Aviation issues permit inclusion of Fund Balance at the beginning of the period with project revenues for the period to determine adequacy of coverage.

Coverage "A" requires that Net Revenues equal at least 120% of the Debt Service Requirements while Coverage "B" requires that Net Revenues equal at least 100% of the Debt Service Requirements plus Required Capital Account Transfers. Test "A" requires that Project Resources be equal to Net Operating Expenses plus 150% of Revenue Bond Debt Service for the year. Test "B" requires Project Resources be equal to Operating Expenses for the year plus all debt service requirements for the year except any General Obligation Debt Service not applicable to the project.

Amounts in the above statement have been extracted from reports submitted to the respective Fiscal Agents in accordance with the reporting requirements of the General Ordinance and Supplemental Ordinance relative to rate covenants. Water and Sewer Coverage is calculated on the modified accrual basis; Aviation Fund on the accrual basis. Prior to FY2008 Airport Revenues and Expenses were reduced by amounts applicable to the Outside Terminal Area and the Overseas Terminal as prescribed by the indenture.

City of Philadelphia
Demographic and Economic Statistics
For the Calendar Years 1999 through 2008

Table 17

Calendar Year	Population ¹	Personal Income ² <i>(thousands of USD)</i>	Per Capita Personal Income ² <i>(USD)</i>	Unemployment Rate ³
1999	1,520,064	35,169,398	23,137	6.1%
2000	1,513,812	37,193,547	24,569	5.6%
2001	1,498,607	38,290,004	25,550	6.1%
2002	1,485,270	40,353,074	27,169	7.3%
2003	1,473,359	41,843,691	28,400	7.5%
2004	1,466,091	43,234,005	29,489	7.3%
2005	1,457,150	44,937,653	30,839	6.7%
2006	1,450,708	47,205,510	32,540	6.2%
2007	1,448,631	50,359,507	34,764	6.0%
2008	1,540,351	53,724,236 ⁴	34,878	7.2%

¹ US Census Bureau

² US Department of Commerce, Bureau of Economic Analysis

³ US Department of Labor, Bureau of Labor Statistics

⁴ Estimated using the rate of growth for the previous year

**City of Philadelphia
Principal Employers
Current Calendar Year and Nine Years Ago**

Table 18

Listed Alphabetically

2009	2000
<p>Albert Einstein Medical Children's Hospital of Philadelphia City of Philadelphia School District of Philadelphia SEPTA Temple University Thomas Jefferson University Hospitals United States Postal Service University Of Pennsylvania University of Pennsylvania Hospital</p>	<p>- City of Philadelphia School District of Philadelphia SEPTA Temple University Thomas Jefferson University Hospitals United States Postal Service University of Pennsylvania University of Pennsylvania Hospital First Union Services, Inc. Hahnemann University Hospital</p>

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2003 through 2009

Table 19

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities:							
Economic Development	9	9	6	6	6	6	23
Transportation:							
Streets & Highways	667	597	564	579	585	584	568
Mass Transit	1	1	1	1	1	1	8
Judiciary and Law Enforcement:							
Police	8,036	7,888	7,578	7,522	7,639	7,754	7,685
Prisons	1,991	2,002	2,227	2,228	2,183	2,153	2,309
Courts	3,500	3,471	3,450	3,403	3,361	3,386	3,310
Conservation of Health:							
Emergency Medical Services	311	300	289	255	249	237	256
Health Services	1,236	1,210	1,163	1,133	1,148	1,140	1,163
Housing and Neighborhood Development	120	110	105	97	111	108	99
Cultural and Recreational:							
Recreation	589	556	511	495	482	483	462
Parks	217	200	182	158	156	156	152
Libraries and Museums	829	774	726	812	816	808	723
Improvements to General Welfare:							
Social Services	2,218	2,220	2,196	2,140	2,164	2,232	2,107
Inspections and Demolitions	450	417	380	248	243	246	221
Service to Property:							
Sanitation	1,338	1,340	1,233	1,272	1,229	1,239	1,169
Fire	2,121	2,004	1,925	1,974	2,109	2,052	2,019
General Management and Support	2,494	2,369	2,253	2,347	2,331	2,414	2,393
Total Governmental Activities	<u>26,127</u>	<u>25,468</u>	<u>24,789</u>	<u>24,670</u>	<u>24,813</u>	<u>24,999</u>	<u>24,667</u>
Business Type Activities:							
Water and Sewer	2,415	2,342	2,326	2,239	2,229	2,291	2,256
Aviation	915	1,021	967	1,004	1,010	1,057	1,033
Total Business-Type Activities	<u>3,330</u>	<u>3,363</u>	<u>3,293</u>	<u>3,243</u>	<u>3,239</u>	<u>3,348</u>	<u>3,289</u>
Fiduciary Activities:							
Pension Trust	62	64	64	65	65	59	69
Total Primary Government	<u>29,519</u>	<u>28,895</u>	<u>28,146</u>	<u>27,978</u>	<u>28,117</u>	<u>28,406</u>	<u>28,025</u>

Note: Data for FY2002 is not available

	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities:								
Transportation:								
Streets & Highways								
Street Resurfacing (miles)	134	93	117	105	102	107	74	119
Potholes Repaired	11,593	24,182	23,179	20,862	18,203	12,721	12,326	11,976
Judiciary and Law Enforcement:								
Police								
Arrests	77,701	66,083	68,486	67,795	69,166	73,606	75,805	68,922
Calls to 911	3,319,936	3,269,276	3,290,786	3,270,114	3,321,896	3,398,985	3,164,454	3,084,261
Prisons								
Average Inmate Population	7,637	7,631	7,738	8,141	8,613	8,796	9,133	9,554
Inmate Beds (city owned)	7,382	7,382	8,283	8,405	8,605	8,443	9,005	9,137
Conservation of Health:								
Emergency Medical Services								
Medic Unit Runs	NA	NA	NA	NA	209,654	216,606	215,305	217,505
First Responder Runs	NA	NA	NA	NA	69,740	68,203	60,756	53,610
Health								
Patient Visits	342,742	320,833	317,184	337,770	324,014	323,121	334,139	349,078
Children Screened for Lead Poisoning	39,629	39,293	37,863	38,013	43,038	43,501	41,590	50,525
Cultural and Recreational:								
Parks								
Athletic Field Permits Issued	NA	NA	NA	NA	2,878	2,227	1,389	1,420
Libraries								
Items borrowed	7,024,391	7,056,608	6,963,935	6,294,315	6,188,637	6,328,706	7,037,694	7,419,466
Visitors to all libraries	6,226,316	6,440,990	6,216,973	5,517,569	6,103,354	6,422,857	6,648,998	6,396,633
Visitors to library website	970,970	1,353,626	1,661,794	2,044,518	2,594,527	3,285,380	4,912,405	4,613,496
Improvements to General Welfare:								
Social Services								
Children Receiving Services	NA	26,388	28,039	28,926	28,086	28,898	25,893	NA
Children in Placement	NA	9,190	9,037	8,548	7,999	8,070	7,739	NA
Youth Development Opportunities	24,676	37,024	44,222	40,149	42,401	48,263	51,903	NA
Emergency Shelter Beds (average)	2,011	2,109	2,412	2,539	2,781	2,677	2,747	2,689
Transitional Housing Units (new placements)	615	458	489	597	448	543	435	476
Service to Property:								
Sanitation								
Refuse Collected (tons per day)	2,929	2,894	3,006	3,008	3,006	2,922	2,798	2,532
Recyclables Collected (tons per day)	149	175	169	157	155	179	197	288
Fire								
Fires Handled	NA	NA	NA	NA	9,523	8,080	7,444	6,850
Fire Marshall Investigations	NA	NA	NA	NA	2,734	3,153	3,097	3,031
Business Type Activities:								
Water and Sewer								
New Connections	83	110	106	137	207	125	295	281
Water Main Breaks	497	988	794	706	660	825	687	802
Average Daily Consumption (x 1000 gallons)	178,000	183,700	175,600	174,100	175,800	169,400	167,000	163,660
Peak Daily Consumption (x 1000 gallons)	200,300	208,600	201,700	210,000	207,400	179,100	170,500	167,090
Average Daily Sewage Treatment (x 1000 gallons)	409,230	478,130	476,110	478,670	430,170	463,080	411,830	417,330
Aviation								
Passengers Handled (PIA)	24,030,686	24,232,804	26,190,976	31,074,454	31,341,459	31,885,333	32,287,035	30,819,348
Air Cargo Tons (PIA)	544,875	565,653	568,898	599,758	591,815	571,452	575,640	475,365
Aircraft Movements (PIA and NPA)	590,563	654,758	584,214	629,885	625,692	614,720	593,757	551,191

¹ PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

City of Philadelphia
Capital Assets Statistics by Function
For the Fiscal Years 2002 through 2009

Table 21

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities:								
Transportation:								
Streets & Highways								
¹ Total Miles of Streets	2,400	2,400	2,400	2,400	2,400	2,575	2,575	2,575
Streetlights	100,612	101,224	101,836	102,000	102,219	102,840	102,949	103,982
Judiciary and Law Enforcement:								
Police								
Stations and Other Facilities	33	33	33	33	33	34	36	35
Prisons								
Major Correctional Facilities	5	5	6	6	6	6	6	6
Conservation of Health:								
Health Services								
Health Care Centers	9	9	9	9	9	9	9	9
Cultural and Recreational:								
Recreation								
Recreation Centers	NA	164	164	165	165	171	171	171
² Athletic Venues	NA	1,121	1,121	1,121	1,117	1,117	919	915
Neighborhood Parks and Squares	NA	232	232	232	232	232	79	79
Parks								
Parks	NA	62	62	62	62	63	63	63
Baseball/Softball Fields	NA	106	106	106	106	109	77	79
Libraries								
Branch & Regional Libraries	55	55	54	53	54	54	54	54
Service to Property:								
Fire								
Stations and Other Facilities	63	63	63	63	64	64	64	63
Business Type Activities:								
Water and Sewer:								
Water Mains (miles)	3,168	3,169	3,169	3,169	3,169	3,133	3,137	3,145
Fire Hydrants	27,836	27,846	27,987	26,080	26,080	25,195	25,181	25,208
Storage Capacity (x 1000 gallons)	1,067,200	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500
Sanitary Sewers (miles)	594	595	596	596	596	768	750	749
Storm Sewers (miles)	622	622	623	623	623	784	713	720
Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
³ Aviation								
Passenger Gates (PIA)	103	120	120	120	120	120	120	120
Terminal Buildings (square footage) (PIA)	1,563,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	42,460	42,460	42,460	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.



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APPENDIX B

CITY SOCIOECONOMIC INFORMATION

Introduction

The City of Philadelphia (the “City” or “Philadelphia”) includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.54 million according to the U.S. Census Bureau, 2008 Population Estimates. The City is in the heart of a nine-county metropolitan area with approximately 5.5 million residents. Air, rail, highway, and water routes provide easy access to the City.

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

Quality of Life

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

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

The City has the second largest concentration of students on the East Coast with eighty degree granting institutions of higher education and a total enrollment of over 300,000 students. Included among these institutions are the University of Pennsylvania, Temple University, Drexel University, St. Joseph’s University, and LaSalle University. Within a short drive from the City are such schools as Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force to the Philadelphia community.

Hospitals and Medical Centers

The City also has major research facilities, including those located at its universities, the medical schools, the Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. The Children’s Hospital of Philadelphia (ranked number one in U.S. children’s hospitals) has recently completed the construction of a new \$100 million biomedical research facility located within the Philadelphia Center for Health Care Sciences in West Philadelphia. A Comprehensive Cancer Center is also located at the University of Pennsylvania.

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

Table 17
City of Philadelphia
Hospitals and Medical Centers
(As of July 2009)

<u>Institution</u>	<u>Beds</u>
Albert Einstein Medical Center	511
Aria Health System ⁽¹⁾	477
Belmont Center for Comprehensive Treatment	147
Chestnut Hill Hospital	119
Department of Veterans Affairs Medical Center-Philadelphia	145
Fairmount Behavioral Health System	185
Fox Chase Cancer Center	100
Friends Hospital	192
Girard Medical Center/Continuing Care Hospital of Philadelphia	106
Hahnemann University Hospital	497
Hospital of the University of Pennsylvania	760
Jeanes Hospital	160
Kensington Hospital	35
Kindred Healthcare-Philadelphia	52
Magee Rehabilitation Hospital	96
Mercy Hospital of Philadelphia	180
Methodist Hospital Division - TJUH	199
Nazareth Hospital	195
Penn Presbyterian Medical Center	223
Pennsylvania Hospital	410
Roxborough Memorial Hospital	137
Shriners Hospitals for Children - Philadelphia	39
St. Agnes Continuing Care Center	58
St. Christopher's Hospital for Children	175
St. Joseph's Hospital	146
Temple University Hospital ⁽²⁾	746
The Children's Hospital of Philadelphia	456
Thomas Jefferson University Hospital	666

Source: Delaware Valley Healthcare Council of HAP, Monthly Utilization Report, July 2009

⁽¹⁾ Aria (formerly Frankford Health Care Systems) includes data for all three divisions — Frankford, Torresdale and Bucks County.

⁽²⁾ Temple includes data for Episcopal Hospital.

Children’s Hospital Expansion. The Children’s Hospital of Philadelphia (“CHOP”) is expanding its research facilities in West Philadelphia. The \$400 million first phase of the new complex was completed in the Fall of 2009; the \$500 million second phase has been put on hold for the time being due to market conditions. CHOP recently purchased the JFK Building on the banks of the Schuylkill River just south of South Street. Administrative offices and research laboratories will be housed in this new space. The construction schedule is not yet known.

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

The Fox Chase Cancer Center. The Fox Chase Cancer Center (the “Center”) is a non-profit institution, which is expanding its campus in the northeast section of the City. The area of expansion is called Burholme Park, and it is adjacent to the main campus. The Center’s 25-year Master Plan is over \$1 billion, providing over 2.7 million sq. ft. of space dedicated to research and patient care. The Burholme Park portion of the expansion has been delayed for some time due to litigation. With a recent Commonwealth Court ruling, the Center will be unable to expand into Burholme Park as planned. Throughout the litigation process, however, they have been actively pursuing other development sites within the City to expand, and have completed construction on and opened a \$100 million Cancer Research Pavilion on their main campus in July 2009. Also slated for construction on the main campus is a 25,000 sq. ft. comparative research facility to enhance and expand the capabilities of the Center’s current research efforts.

Demographics

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

**Table 18
Population
City, Pennsylvania & Nation**

	<u>1990</u>	<u>2000</u>	<u>2009 (est.)</u>	<u>% Change 1990-2000</u>	<u>% Change 2000-2009</u>
Philadelphia	1,585,577	1,517,550	1,540,351 ⁽¹⁾	-4.3%	1.5% ⁽²⁾
Pennsylvania	11,881,643	12,281,054	12,604,767	3.4%	2.5%
United States	248,709,873	281,421,906	307,006,550	13.2%	8.3%

Source: U.S. Census Bureau, 2009 Population Estimates, Census 2000, 1990 Census.

⁽¹⁾ 2008 Population Estimates (revised population estimate from challenge).

⁽²⁾ Reflects % change from 2000-2008.

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**Table 19
Population Age Distribution**

Philadelphia County						
		% of Total		% of Total	2006- 2008⁽¹⁾ (est.)	% of Total
0-24	563,816	35.6	551,308	36.3	522,829	36.1
25-44	490,224	30.9	444,774	29.3	394,939	27.3
45-64	290,803	18.3	307,746	20.2	344,260	23.8
65-84	217,913	13.7	186,383	12.3	158,546	10.9
85 & up	22,801	1.4	27,339	1.8		
					28,337	2
Total	1,585,577	100	1,517,550	100	1,448,911	100

Pennsylvania						
		% of Total		% of Total	2006- 2008⁽¹⁾ (est.)	% of Total
0-24	4,021,585	33.8	4,016,670	32.6	3,978,821	32
25-44	3,657,323	30.8	3,508,562	28.6	3,178,976	25.6
45-64	2,373,629	20	2,836,657	23.1	3,367,265	27.1
65-84	1,657,270	13.9	1,681,598	13.7	1,611,816	13
85 & up	171,836	1.4	237,567	1.9	281,878	2.3
Total	11,881,643	100	12,281,054	100	12,418,756	100

United States						
		% of Total		% of Total	2006- 2008⁽¹⁾ (est.)	% of Total
0-24	90,342,198	36.3	99,437,266	35.3	103,443,127	34.3
25-44	80,754,835	32.5	85,040,251	30.2	83,266,651	27.6
45-64	46,371,009	18.6	61,952,636	22	76,547,789	25.4
65-84	28,161,666	11.3	30,752,166	11	32,801,763	10.9
85 & up	3,080,165	1.2	4,239,587	1.5	5,178,373	1.7
Total	248,709,873	100	281,421,906	100	301,237,703	100

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

⁽¹⁾ 2006-2008 American Community Survey 3 year estimates.

The Economy

Philadelphia's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major business and personal service center with strengths in insurance, law, finance, health, education, and utilities.

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

Table 20
Office Rental Rates in Cities
Throughout the United States
(In \$ Per Square Foot)

	May <u>2006</u>	November <u>2006</u>	May <u>2007</u>	May <u>2008</u>	November <u>2008</u>	May <u>2009</u>	November <u>2009</u>	May <u>2010</u>
Atlanta	20.08	20.56	20.16	21.76	21.23	21.29	21.03	23.25
Chicago	23.77	22.97	22.44	24.75	24.78	24.56	24.82	23.95
Dallas	17.43	16.47	17.20	22.96	23.72	23.71	23.12	22.72
Denver	19.03	20.37	22.17	27.15	27.55	26.53	25.96	25.07
Houston	19.15	19.52	21.53	28.92	26.83	24.91	26.35	27.00
Los Angeles	23.12	22.59	23.74	30.52	30.51	29.92	28.72	28.74
New York	55.15	62.07	69.44	103.43	98.08	68.63	68.93	64.51
Philadelphia	22.42	22.96	22.60	24.35	25.26	25.24	24.09	25.36
Phoenix	24.29	26.19	27.32	29.14	29.17	28.23	26.72	26.89
Portland	21.58	22.41	23.00	25.85	27.62	26.99	26.65	26.33
San Francisco	30.62	31.11	35.81	49.71	48.57	39.40	33.94	33.17
St. Louis	21.12	21.75	21.21	22.82	22.42	22.78	22.51	22.58
Tampa	20.54	21.13	22.46	25.30	26.22	26.36	26.39	25.63
Washington, D.C.	42.74	43.58	44.00	51.05	51.26	51.77	51.74	51.75

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

Employment

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables 22 and 23, respectively.

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

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

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Table 21
Labor Force Data Annual Average
Based on Residency (not seasonally adjusted)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Philadelphia (000) ⁽¹⁾								
Labor Force	622.6	618.3	616.8	614.5	615.9	627.2	629.5	633.1
Employment	575.7	573.1	575.4	576.7	578.8	582.3	566.6	560.4
Unemployment	46.9	45.2	41.4	37.8	37.1	44.9	62.8	72.7
Unemployment Rate (%)	7.5	7.3	6.7	6.2	6.0	7.2	10.0	11.5
Philadelphia PMSA (000) ⁽²⁾								
Labor Force	2,879.2	2,888.6	2,919.6	2,949.2	2,948.3	2,986.2	2,997.6	2,982.1
Employment	2,722.4	2,741.7	2,781.9	2,817.4	2,822.3	2,826.3	2,749.7	2,712.3
Unemployment	156.8	146.9	137.7	131.8	126.1	159.9	248.0	269.7
Unemployment Rate (%)	5.4	5.1	4.7	4.5	4.3	5.4	8.3	9.0
Pennsylvania (000)								
Labor Force	6,145.0	6,197.0	6,270.0	6,309.0	6,330.0	6,441.0	6,414.0	6,463
Employment	5,796.0	5,860.0	5,958.0	6,022.0	6,055.0	6,099.0	5,895.0	5,879
Unemployment	349.0	337.0	312.0	286.0	275.0	342.0	519.0	591
Unemployment Rate (%)	5.7	5.4	5.0	4.5	4.3	5.3	8.1	9.1
United States (000,000)								
Labor Force	146.5	147.4	149.3	151.4	153.1	154.3	154.1	154.4
Employment	137.7	139.3	141.7	144.4	146.0	145.4	139.9	139.4
Unemployment	8.8	8.1	7.6	7.0	7.1	8.9	14.3	14.9
Unemployment Rate (%)	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.7

Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, 2010.

(1) Philadelphia County

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

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Table 22
Philadelphia County
Total Monthly Employment and Monthly Unemployment Rates
Based on Residency
2004 – 2010

<u>Month</u>	<u>Total Employment in 000's</u>							<u>Unemployment Rate %</u>						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
January	573.7	574.8	574.9	578.9	583.4	577.8	563.8	7.5	6.9	6.1	6.0	6.4	8.5	11.4
February	573.4	573.5	576.3	579.8	582.0	576.5	561.6	7.3	7.2	6.4	5.8	6.4	9.0	11.5
March	572.0	572.2	576.4	579.2	582.7	571.6	560.1	7.7	6.9	6.2	5.7	6.6	9.2	11.3
April	572.4	574.4	576.4	576.2	586.0	571.1	560.4	7.4	6.8	6.4	6.0	6.5	9.3	11.0
May	569.7	576.2	576.5	575.4	584.4	569.0	N/A	7.5	6.7	6.2	6.0	6.8	9.5	N/A
June	570.7	574.7	577.7	578.3	583.3	567.4	N/A	7.6	6.6	6.2	6.0	6.9	9.8	N/A
July	573.6	577.2	575.6	579.4	582.4	566.0	N/A	7.4	6.4	6.3	6.1	7.1	10.0	N/A
August	572.8	575.8	577.0	578.9	582.6	563.1	N/A	7.3	6.5	6.2	6.0	7.5	10.5	N/A
September	573.4	576.6	576.8	579.2	582.0	560.4	N/A	7.2	6.7	6.1	6.1	7.5	10.8	N/A
October	574.0	576.0	577.8	578.6	582.2	557.5	N/A	7.1	6.5	5.9	6.2	7.8	11.1	N/A
November	575.3	575.7	577.2	581.8	579.1	560.0	N/A	7.0	6.8	6.1	6.1	8.0	10.9	N/A
December	576.5	578.8	578.5	580.4	578.3	559.3	N/A	6.9	6.4	5.9	6.3	8.4	10.9	N/A

Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, June 2010 (monthly Seasonally Adjusted Labor Force), Philadelphia County.

Table 23
Philadelphia City
Non-Farm Payroll Employment⁽¹⁾

	<u>(Amounts in Thousands)</u>								
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Non-Farm	683.5	671.3	657.9	660.3	662.5	662.7	663.3	651.0	
Natural Resources, Construction & Mining	12.9	12.3	11.4	12.0	12.4	11.9	12.1	10.0	
Manufacturing	37.7	34.0	32.6	31.2	29.9	28.5	27.8	25.9	
Trade, Transportation & Utilities	98.5	95.8	90.9	90.0	88.5	87.8	87.6	85.2	
Information	17.0	15.9	13.6	13.2	12.8	12.6	12.5	12.6	
Financial Activities	52.3	50.7	49.0	48.2	47.7	47.1	46.5	45.3	
Professional & Business Services	82.9	80.9	80.3	82.4	84.2	85.8	85.3	78.5	
Education & Health Services	181.0	185.3	184.1	186.8	192.2	197.1	201.6	205.2	
Leisure & Hospitality	54.2	52.9	54.6	56.6	58.0	58.0	57.9	56.6	
Other Services	29.9	29.0	28.5	28.5	28.2	28.0	27.8	26.6	
Government	117.1	114.7	113.0	111.4	108.6	105.9	104.3	105.0	

Source: Bureau of Labor Statistics, March 2010.

⁽¹⁾ Includes persons employed within the City, without regard to residency.

Table 24
City of Philadelphia
Principal Employers in Philadelphia
June 30, 2009
(Listed Alphabetically)

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

Source: Philadelphia Department of Revenue

Table 25
Fortune 500
Largest Corporations
With Headquarters in Philadelphia, 2010

<u>Corporation</u>	<u>Type of Industry</u>	<u>Ranking</u>	<u>Revenues</u> <u>(\$ Millions)</u>
Comcast	Telecommunications	59	\$35,756.0
Sunoco	Petroleum Refining	78	\$29,630.0
Cigna	Health Care/Insurance	129	\$18,414.0
ARAMARK	Diversified Outsourcing Services	189	\$12,297.9
Crown Holdings	Metal Products	289	\$7,938.0

Source: Fortune Magazine website, May 2010.

Income

The following table presents data relating to per-capita income for the City, the PMSA, and the United States.

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Table 26
Consumer Price Indices and Median Household Effective Buying Income

	<u>2000</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
CPLLI United States ⁽¹⁾	172.2	179.9	184.0	188.9	195.3	201.6	207.3	215.3	214.5
CPL U Philadelphia PMSA ⁽¹⁾	176.5	184.9	188.8	196.5	204.2	212.1	216.7	224.1	225.1
<u>Buying Income</u> ⁽²⁾									
Philadelphia	\$31,621	\$29,995	\$28,015	\$28,150	\$29,269	\$30,748	\$31,292	\$30,746	\$31,110
Philadelphia Metro Area ⁽³⁾	\$47,152	\$43,800	\$41,820	\$42,852	\$44,060	\$45,395	\$46,413	\$46,900	\$47,580
United States	\$37,233	\$38,365	\$38,035	\$38,201	\$39,324	\$39,324	\$40,710	\$41,792	\$42,303

*

⁽¹⁾ Source : Consumer Price Index - All Urban Consumers. U.S. Bureau of Labor Statistics.

⁽²⁾ Source: Sales & Marketing Management's 2009 Survey of Buying Power.

⁽³⁾ Statistic is a measure of the Philadelphia, Camden & Wilmington Metropolitan Area.

Table 27
Number of Households by Income Range in Philadelphia County

<u>Income</u>	<u>Number of Households</u> ⁽¹⁾			<u>Percentage of Households</u> ⁽¹⁾		
	<u>1990</u>	<u>2000</u>	<u>2006-2008</u> ⁽²⁾ (est.)	<u>1990</u>	<u>2000</u>	<u>2006-2008</u> ⁽²⁾ (est.)
Under \$ 9,999	136,335	109,237	84,213	22.6	18.5	14.9
\$10,000-14,999	59,331	49,035	48,221	9.9	8.3	8.6
\$15,000-24,999	108,405	89,059	73,984	18.1	15.0	13.1
\$25,000-49,999	190,237	171,215	147,661	31.7	29.0	26.2
\$50,000 and over	<u>106,432</u>	<u>171,737</u>	<u>209,758</u>	<u>17.6</u>	<u>29.1</u>	<u>37.2</u>
Total	600,740	590,283	563,837	100.0	100.0	100.0

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

⁽¹⁾ A household includes all the persons who occupy a housing unit.

⁽²⁾ 2006-2008 American Community Survey 3 year estimates.

Number of Households by Income Range in United States

<u>Income</u>	<u>Number of Households(000's)</u>			<u>Percentage of Households</u>		
	<u>1990</u>	<u>2000</u>	<u>2006-2008</u> ⁽¹⁾ (est.)	<u>1990</u>	<u>2000</u>	<u>2006-2008</u> ⁽¹⁾ (est.)
Under \$ 9,999	14,214	10,067	8,046	15.5	9.5	7.2
\$10,000-14,999	8,133	6,657	6,140	8.8	6.3	5.5
\$15,000-24,999	16,124	13,536	11,921	17.5	12.8	10.6
\$25,000-49,999	31,003	30,965	27,850	33.7	29.3	24.8
\$50,000 and over	<u>22,519</u>	<u>44,312</u>	<u>58,429</u>	<u>24.5</u>	<u>42.1</u>	<u>52.0</u>
Total	91,994	105,537	112,386	100.0%	100.0%	100.0%

Source: U.S. Department of Commerce, Economics and Statistics Administration, 2000 Census of Population.

Figures may not add up due to rounding.

⁽¹⁾ 2006-2008 American Community Survey 3 year estimates.

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Retail Sales

The following table reflects taxable sales for Philadelphia from Fiscal Years 1997 to 2009.

Table 28
Philadelphia
Taxable Retail Sales 1997-2009
(\$000's)

<u>Fiscal Year</u>	<u>Taxable Sales</u>
1997	9,637,833
1998	8,276,083
1999	9,604,970
2000	10,432,800
2001	11,107,100
2002	10,980,914
2003	10,933,524
2004	11,172,231
2005	12,001,439
2006	12,839,137
2007	13,643,582
2008	13,704,958
2009	13,211,446

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

Transportation

The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to the airport and to the surrounding counties. A high speed train line runs from southern New Jersey to Center City and is operated by the Delaware River Port Authority. An important addition to the area's transportation system was the opening of the airport high speed line between Center City and the Philadelphia International Airport in 1985. The line places the airport less than 25 minutes from the Center City business district and connects directly with the commuter rail network and the Convention Center, which opened in June 1993. The opening of the commuter rail tunnel in 1984 provided a unified City transportation system linking the commuter rail system, the SEPTA bus, trolley, and subway lines, the high speed line to New Jersey, and the airport high speed line.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting Philadelphia to the other major cities and markets in the United States. More than 100 truck lines serve the Philadelphia area.

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

The Philadelphia International Airport (PHL) and Northeast Philadelphia Airport (PNE) comprise the Philadelphia Airport System (the "Airport System"). The Airport System is owned by the City and is operated by its Division of Aviation. PHL is located 7.2 miles southwest of Center City; and PNE, a

smaller reliever airport, is located 10 miles northeast of Center City. PHL is accessible from major highways within the City and from surrounding communities and SEPTA's Airport rail line. PHL provides its passengers with service on 10 domestic carriers, four of which also provide international service, along with four foreign flag carriers. In addition, PHL currently has 18 regional carriers and three all-cargo carriers. PHL serves as a key connecting hub for US Airways.

Water and Wastewater Systems

The water and wastewater systems of Philadelphia are owned by the City and operated by the City's Water Department. The water system provides water to the City (130 square mile service area), to Aqua Pennsylvania, Inc., formerly Philadelphia Suburban Water Company, and to the Bucks County Water and Sewer Authority. The City obtains approximately 58 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 472,600 accounts through 3,137 miles of mains, three water treatment plants, 15 pumping stations and provides fire protection through more than 25,000 fire hydrants.

The wastewater system services a total of 360 square miles of which 130 square miles are within the City and 230 square miles are in suburban areas. The total number of accounts is approximately 471,000. The wastewater and stormwater systems contain three water pollution control plants, a biosolids processing facility, 21 pumping stations, and approximately 3,657 miles of sewers. Based on its current NPDES discharge permit, the City is required to achieve effluent limitations that are considered more stringent than those required to achieve secondary treatment levels as defined in the Federal Water Pollution Control Act, as amended.

Municipal Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,800 tons of solid waste per day is collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits. The City significantly reduced its waste disposal costs over the last decade. The current disposal contract, which began July 1, 2005, continues this trend. With three one-year City options, the contract can be extended through Fiscal Year 2012. Disposal rates escalate at a relatively low rate of approximately three percent per year over the contract term, and multiple vendors maximize operational flexibility and efficiencies.

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Housing

The table below shows details related to Philadelphia County and Pennsylvania's housing markets:

Table 29
Characteristics of Housing Units

	<u>1990</u>	<u>2000</u>	<u>2006- 2008⁽¹⁾</u> <u>(est.)</u>
Total Housing Units			
Philadelphia County	674,899	661,958	660,562
Pennsylvania	4,938,140	5,249,750	5,476,136
Percent Owner-Occupied			
Philadelphia County	62.0%	59.3%	57.1%
Pennsylvania	70.6%	71.3%	71.4%
Median Value of Owner-Occupied Housing			
Philadelphia County	\$49,400	\$59,700	\$ 130,400
Pennsylvania	\$69,700	\$97,000	\$ 155,400
Number/Average Persons per Housing Unit			
Philadelphia County	2.56	2.65	2.63
Pennsylvania	2.72	2.62	2.59

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

⁽¹⁾ 2006-2008 American Community Survey 3 year estimates.

Promoting Economic Development

Mission

The goal of the City's economic development strategy is to create, maintain, and develop: (1) jobs by fostering an improved business environment; (2) increases in population; and (3) enhanced quality of life within the City — all in order to grow the City's tax base.

Background

In 2009, despite a slowing national economy, the City aggressively launched several programs aimed at improving economic development. By reorienting its economic development priorities toward promoting transparency and accountability in government services to businesses and individuals, Philadelphia will strive to become the business location of choice. This new business climate, combined with recent cultural additions, neighborhood reinvestment and a renewed sense of civic pride, will further Philadelphia's position as a world-class city. As part of its economic recovery strategy, the City continues to pursue funds appropriated by the American Recovery and Reinvestment Act, which will be used to leverage major economic development projects, and thereby enhance the City's competitive position among major U.S. urban markets.

Philadelphia's Competitive Advantages

Philadelphia's competitive advantages as a business location are based on size, strategic location, relative affordability, cultural and recreational amenities, and its growing strength in key knowledge industries. The City is the fifth-largest city in the nation¹ with the third largest downtown population and is at the center of the sixth largest metropolitan region. The Philadelphia region includes the fourth largest

¹ 2000 official U.S. Census Data

retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries.

Accessibility

Philadelphia is in a key position to access regional and international markets, due to the transportation infrastructure centered here, including Philadelphia International Airport, AMTRAK’s Northeast Corridor service, major interstate highway access, regional SEPTA service and the port. The capacity of Philadelphia’s transportation infrastructure is demonstrated by its median commuting time, which is 19% lower than the national metropolitan average. Recent analysis has shown that employees also benefit: Commuters to suburban firms, nearly all of whom drive to work, spend over \$6,200 per year in vehicle expenses. By contrast, 70% of downtown office workers use public transit to get to work, and the annual cost of a SEPTA regional rail pass is just \$2,172. In addition, 37% of downtown residents walk to work, the highest percentage of any major American city. Another 1.6% of Philadelphia commuters use bicycles to get to work. This is the highest percentage of biking commuters in the U.S., which is nearly three times the national average.²

Culture

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

Affordability

Philadelphia remains affordable when compared to its peers, as reflected in the chart below. The City’s enviable cost of living provides a tremendous competitive advantage over neighboring cities. In 2008, Forbes Magazine listed Philadelphia among the twenty best cities for young professionals to live, noting that college graduates are increasingly choosing Philadelphia over traditionally higher priced northeastern markets like Boston and New York.

Cost of Living 2010 (First Quarter)⁽¹⁾

Index	Philadelphia, PA	Washington-Arlington – Arlington, DC-VA	Boston, MA	New York (Manhattan), NY	National Average
Composite (100%)	126.5	137.9	131.1	218.0	100.0

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

⁽¹⁾ The Council for Community and Economic Research determines “Cost of Living” by weighing various living expenses including: cost of groceries, housing, utilities, transportation and health. The national average cost for each index area is set at “100”, and the indices for each place are then calculated based upon their relation to that average.

² 2008 American Community Survey, <http://blog.bicyclecoalition.org/2009/>.

Educational Attainment

Philadelphia captures a significant portion of the region's educational employment and enrollment because of its major colleges and universities. The City houses 40 percent of all students during their studies, and the Philadelphia region retains a strong share of its graduates (55 percent) and an even greater share of graduates who are originally from the region (82 percent). The region retains 26 percent of non-native graduates, based on a survey of the class of 2005. On average, the region's workforce over age 25 is better educated (with four-year college degrees) than those in other metropolitan areas across the U.S. (32 percent, compared to 27 percent). Meanwhile, the City consistently ranks among the lowest educational attainment rates in the nation, with only 20.7 percent of its population having obtained a four-year college degree.³ To reverse this trend, the Nutter administration has made it a priority to leverage the City's relationships with local universities and industry partners aimed at encouraging recent college graduates to maintain permanent residence and employment within the City.

Real Estate Market

Despite challenges in the national economy, Philadelphia's central business district ("CBD"), which encompasses 42.1 million rentable square feet, shows stable office market conditions when compared with other major metropolitan markets. The strength of the market is driven by the continued expansion of the City's major healthcare and educational institutions, which are less likely to be impacted by the slowdown, and the growth of Comcast Corporation. Recent developments in the financial services market offer both retention risks and attraction opportunities for Philadelphia. Significant downsizing among law firms and other professional services businesses pose the greatest challenge to the office market.

The Center City office market has seen positive results in most recent years, with 1 million square feet of net absorption in 2006, 992,000 square feet in 2007 and approximately 876,000 square feet of positive net absorption in 2008. Unfortunately, the economic slowdown has begun to have an effect, dropping the Class A net absorption rate for 2009 to approximately -190,160. Likewise, while Philadelphia's CBD boasted a direct vacancy rate of under 9% for six quarters in a row as of the first quarter of 2009, this rate has risen to 10.5% by the end of 2009 - still well below the national average, which climbed to 15.8% as of December 2009. Despite these downturns, Philadelphia's CBD shows signs of economic recovery and confidence is returning to the market.

In its Winter 2009 market forecast, Cushman and Wakefield named Philadelphia, among four major metropolitan markets⁴ that "will be in a recovery-ready mode in 2010." A positive sign of recovery is reflected in accelerating rental activity in the CBD, which in the first quarter of 2010 showed a 67% increase over the first quarter of 2009 activity. As a result of building owners making substantial capital investments and a high demand for "trophy" locations, Class A asking rental rates in the CBD have risen from \$25.85 in 2006 to \$27.08 per square foot through the first quarter of 2010. A concerted attraction and retention campaign involving the combined efforts of the City, PIDC, the Center City District, the Greater Philadelphia Chamber of Commerce, and the Commonwealth has helped to sustain these positive trends.

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

³ American Community Survey data, 2006.

⁴ Boston, Washington D.C. and Seattle were also mentioned.

Major Industry Sectors

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

Philadelphia Industry Concentrations Compared to Pennsylvania

<u>Industry</u>	<u>Pennsylvania</u>	<u>Philadelphia County</u>
Education and Health Services	0.52	2.23
Financial Activities	0.80	1.24
Other Services	0.93	1.07
Professional and Business Services	0.75	1.33
Leisure and Hospitality	0.95	1.05
Information	0.94	1.06
Trade, Transportation, and Utilities	1.54	0.69
Manufacturing	2.54	0.39
Construction	2.35	0.43
Unclassified	0.50	0.02
Natural Resources and Mining	0.55	0.00

Source: BLS: 2008 Location Quotient, Quarterly Census of Employment and Wages Data. Ratio of analysis-industry employment in the analysis area to base-industry employment in the analysis area divided by the ratio of analysis-industry employment in the base area to base-industry employment in the base area.

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

Employment

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

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National, State and Local Unemployment Rates: 1997-2010

Year	U.S.	Pennsylvania	Philadelphia	% Difference between U.S. and Phila
1997	4.9%	5.1%	6.8%	1.9%
1998	4.5%	4.6%	6.2%	1.7%
1999	4.2%	4.4%	6.1%	1.9%
2000	4.0%	4.2%	5.6%	1.6%
2001	4.7%	4.8%	6.1%	1.4%
2002	5.8%	5.6%	7.3%	1.5%
2003	6.0%	5.7%	7.5%	1.5%
2004	5.5%	5.4%	7.3%	1.8%
2005	5.1%	5.0%	6.7%	1.6%
2006	4.6%	4.7%	6.3%	1.7%
2007	4.6%	4.4%	6.0%	1.4%
2008	5.8%	5.5%	7.2%	1.4%
2009	9.3%	8.1%	10.2%	0.9%
2010 ⁽¹⁾	9.7%	9.4%	11.3%	1.4%

Source: Bureau of Labor Statistics (BLS). 2010.

⁽¹⁾ Preliminary estimates based on data reported to BLS, January – April 2010.

The jobs report is mixed. As reflected in the chart below, total employment has trended upwards in particular sectors i.e. (Education / Healthcare, and Leisure / Hospitality), while overall growth decreased slightly in 2009 and continues to be sluggish.

Cluster Employment Data: City of Philadelphia 2003-2010 (in thousands)										
Sector	2003	2004	2005	2006	2007	2008	2009	2010	% Change from 2003	Avg Annual % Change
Construction & Mining	12.3	11.4	12	12.6	11.8	12.2	10	8.5	-30.9%	-5.1%
Manufacturing	34	32.6	31.2	30	28.3	27.3	25.9	24.9	-26.8%	-4.5%
Trade, Transportation, & Utilities	95.8	90.9	90	88.6	88.0	87.5	85.2	83.7	-12.6%	-2.1%
Information	15.9	13.6	13.2	12.7	12.9	12.3	12.6	12.6	-20.8%	-3.5%
Financial Activities	50.7	49	48.2	47.6	47.1	46.3	45.3	44	-13.2%	-2.2%
Professional & Business Services	80.9	80.3	82.4	84.1	85.3	85.5	78.5	75.4	-6.8%	-1.1%
Education & Health Services	185.3	184.1	186.8	192	196.4	201.1	205.2	207.4	11.9%	2.0%
Leisure & Hospitality	52.9	54.6	56.6	57.6	58.4	57.8	56.6	53.5	1.1%	0.2%
Other Services	29	28.5	28.5	28.2	28.2	28.1	26.6	25.8	-11.0%	-1.8%
Government	114.7	113	111.4	108.4	105.9	104.5	105	105.1	-8.4%	-1.4%
Total	671.5	658	660.3	661.8	662.4	662.5	651	627.3	-6.6%	-1.1%

Source: Bureau of Labor Statistics. 2010.

Knowledge Industry: Poised for Growth

The sector of Philadelphia's economy which has remained most insulated from the current recession has been Education and Health Services, capturing an 11.9 % growth rate since 2003. The City, in its strategic plan for economic development and job growth, has identified the "Eds and Meds", along with Professional and Business Services, and Leisure and Hospitality, as targeted growth sectors that will drive the City's recovery process and position it for continued long-term growth.

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

While Philadelphia has a strong core of knowledge-based industries, the City must capitalize on these advantages to ensure future growth and dynamism. Within the knowledge economy is another sector of great importance to Philadelphia and the region, the life sciences, which includes health care, research, biotechnology, and pharmaceuticals. Philadelphia is capitalizing on the region's opportunity to become an incubator for research generated by life sciences and educational institutions. Several sites now foster incubator opportunities, including the Philadelphia Navy Yard, the Science Center in West Philadelphia, and the west bank of the Schuylkill River bordered by the University of Pennsylvania, Children's Hospital of Pennsylvania and Drexel University.

Philadelphia's economy enjoys a large market share of for-profit creative industry companies which are technology-driven, known as businesses representing the "creative economy." A subset of the knowledge industry, the sector includes architecture, communications, design and merchandising, digital media, engineering, fashion design, graphic arts, information technology, interior and industrial design, marketing, music, film and video production, multimedia design, photography, planning product design and software development. Philadelphia supports several initiatives with the goal of increasing employment in this sector and fostering population growth in the City as a result. Philadelphia's population has increased 1.5% since 2000 according to a recently published challenge to the U.S. Census Bureau's 2008 estimate. The City's official population is now recorded as 1,540,351.

Philadelphia International Airport

Philadelphia International Airport ("PHL" or the "Airport") served 30.7 million passengers, including 4.1 million international travelers, in calendar year 2009. In 2009, PHL ranked eighteenth in the nation in terms of total passengers and is presently the eleventh busiest in the world for aircraft operations, according to data reported by Airports Council International North America. The regional economic impact of the Airport is \$14 billion annually. PHL opened a new commuter terminal in 2001, a new international terminal in May 2003, completed the extension of Runway 17-35 to increase airfield capacity in December 2008, and recently completed two major phases of a \$300 million Terminal D-E renovation and expansion project, which included a new 14-lane security checkpoint and ten new food and retail shops that opened in December 2008, and expansion of Concourse E, which added seven gates and a food court in February 2010.

In 2005, the Airport issued three series of Airport revenue bonds which included \$125 million in fixed-rate Series 2005A bonds, \$41 million in variable-rate Series 2005B bonds and \$189.5 million in

variable-rate Series 2005C bonds. Proceeds of the 2005A and B bonds have enabled the Airport to undertake critical infrastructure projects, such as expansion of Terminals D and E, improvements to Terminal A East, expansion of security checkpoints at Terminals B and C, and resurfacing of Runway 9R-27L. Proceeds of the 2005C bonds were used to refund the Airport's Series 1995A revenue bonds.

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

In April 2009, the City issued the fixed rate 2009A Bonds. Proceeds from the 2009A Bonds were used to refund the Airport's variable-rate Series 2005B, which are described above.

Philadelphia Industrial Development Corporation

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

Financing Programs

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

PIDC Loan Programs: Largely funded by federal, state, and local government sources, PIDC loan programs generally offer subordinated financing and below-market rates which encourage investment in Philadelphia. Specific terms and uses vary and may cover infrastructure costs, land acquisition, building construction, machinery/equipment purchase, or working capital. During 2009, PIDC settled 38 loan transactions and provided approximately \$159 million of funding to projects valued at \$1.18 billion.

PAID Bond Program: PIDC also manages PAID. PAID issues, as a conduit, tax-exempt bonds for qualified manufacturing and not-for-profit and other projects. PAID is also a conduit for taxable issues. During calendar year 2009, PAID settled 12 bond issues for \$153.7 million in financing and total project costs of \$157.8 million.

Real Estate Services

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

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

- Most of PIDC's properties are in designated incentive areas, which include specific entitlements to tax abatements, low interest loans and other benefits. Of particular note are the Keystone Opportunity Zones (KOZs), which abate business taxes for varying terms.
- Public Property Sales: In 2005, PIDC entered into an agreement with the City's Department of Public Property to market the City's surplus real estate throughout Philadelphia. Due to the poor economic climate, PIDC completed 1 transaction in 2010 with a sale price of \$165,000. Since this effort began, PIDC has completed the sale of 29 properties resulting in approximately \$14.7 million for the City's General Fund. PIDC recently issued an RFP for the existing City-owned Family Court property located at 1801 Vine Street for re-development. As this is still an active facility, settlement on this transaction is not expected for 2 to 3 years.
- Developer Selection: When demand is present, PIDC also manages developer selection and sales of key real estate assets utilizing conventional RFQ/RFP methodology. Currently, PIDC is developing a handful of RFQ/RFP documents for sites that are likely to be in demand when the real estate market rebounds.
- In summary, PIDC closed 2 land sales, totaling 30 acres in the first half of 2010. This level of activity is consistent with 2008 and 2009 levels and represents the impacts of the overall slowdown in the national and regional economy. Since 2009, PIDC worked along with the City's Commerce Department and the City Planning Commission to conduct a study of Philadelphia's industrial land inventory, characteristics, and projected demand to develop a new industrial land policy to serve as a guide for the nature, location and scale of industrial land acquisition and development for the foreseeable future. The study is anticipated to be completed in summer 2010.
- Due to the weakness in the real estate market, PIDC is seeking opportunities to purchase distressed or underutilized industrially-zoned sites to replenish the City's inventory of publicly controlled industrial land. PIDC recently settled on the acquisition of a 20-acre cleared industrially-zoned site which it will begin to market for private development. PIDC is negotiating acquisitions of additional industrially-zoned sites, which if successful, would settle in 2010.

The Navy Yard

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

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

Initial emphasis was on upgrading roads and utilities systems with over \$25 million of infrastructure investment. Development of the Aker Philadelphia Shipyard, a \$300 million state-of-the-art facility, was funded by federal, state, and local sources. Successful leasing and development efforts have resulted in more than 90 companies and three Navy operations occupying more than 5.5 million square feet of space and employing more than 8,000 people. In September 2004, PIDC and the City released an updated Navy Yard Master Plan, which focuses on mixed use development on 400 acres east of Broad Street and envisions over \$2 billion of private investment in office, research, retail, residential, and recreational projects. To date, major progress was achieved in implementation of the Master Plan:

- Industrial Anchors: The Navy Yard continues to be a vital industrial and manufacturing center, with the Aker Philadelphia Shipyard as a major anchor activity. Aker employs 1,300 in its commercial shipbuilding operation and is in the midst of \$2 billion worth of ship orders.

This robust activity also supports a number of supplier and related industrial and manufacturing companies located at The Navy Yard. The US Navy also retains significant industrial facilities to support its foundry and propeller shop with nearly 800 employees. Building on the skilled workforce and range of industrial supplier companies located at The Navy Yard, an affiliate of Boston Ship repair leases a dry-dock, pier and related facilities to support commercial and military ship repair activity. Tasty Baking Company's new 350,000 square feet. bakery and distribution center at The Navy Yard became fully operational in 2010. This facility, along with an additional 200,000 square feet of speculative flex and industrial space, is being developed in the Navy Yard Commerce Center by Liberty Property Trust and Synterra Partners.

- Navy Yard Corporate Center: In 2003, PIDC selected a team led by Liberty Property Trust and Synterra Partners to develop 72 acres with 1.4 million square feet of Class A office space. Liberty/Synterra has developed three buildings, all of which are fully leased: (i) a 77,000-square-foot, multi-tenant speculative building which is now 100 percent leased, (ii) a 47,000 square foot build-to-suit headquarters for Unique Industries and (iii) a 95,000 square foot office building completed in the second quarter of 2009 and is now 90% leased. PIDC and Liberty/Synterra are in the pre-development phase for a 125 room hotel and the next phase of speculative office construction.
- Additional Corporate Office Activity: The Navy Yard's shift from a federal, industrial property to a private sector business park with corporate/research future has defined itself in recent years with a combination of headquarters relocations by Vitetta Architects and Engineers, Unique Industries, and Barthco International. In 2006, Urban Outfitters, a major retailer of clothing, furnishings and accessories completed its \$115 million corporate campus, an award-winning historic conversion of approximately 300,000 square feet of former industrial facilities. Urban Outfitters has grown their headquarters workforce to more than 1,200 employees since relocating to The Navy Yard and will complete work on a \$20 million, 50,000 square foot expansion in June 2010. Urban retains options on an additional 200,000 square feet of facilities to support continued expansion at the Navy Yard.
- Research and Development: In addition to the development of general corporate office facilities, The Navy Yard has established an important market segment in technology and R&D activity. This activity is anchored by the Naval Ship Systems Engineering Station, an 1,800 person federal research lab that houses the Navy's premier research organization focusing on power, energy, fuel cells, propulsion, IT and systems integration. In order to complement and expand this research base, the Commonwealth designated the Navy Yard as a Keystone Innovation Zone (KIZ), providing access to variety of state incentives for technology development. The KIZ team led by PIDC includes the U.S. Navy, Penn State University, the Delaware Valley Industrial Resource Center ("DVIRC"), the City and the Ben Franklin Technology Partners of Southeastern Pennsylvania.
- In 2009, PIDC established the Navy Yard Clean Energy Campus as the identity of Navy Yard R&D activity. Early initiatives of the Clean Energy Campus have resulted in Penn State establishing a Navy Yard location for its graduate level engineering program; the relocation of Ben Franklin Technology Partners' Corporate Office to The Navy Yard; the development of the Building 100 Innovation Center by Ben Franklin, DVIRC and PIDC to house early stage technology companies focused on power and energy related research; and a cadre of 12 related companies with offices at The Navy Yard.
- PIDC and its Navy Yard Clean Energy Campus partners also continue to pursue significant federal funding for research, education and commercialization facilities. The Navy has

commenced development on a new, \$20 million energy test center that will be the focus of their energy research activity. Penn State was recently awarded \$10 million in grants from the Department of Energy (“DOE”) to establish regional, Mid Atlantic Centers at The Navy Yard for Solar Training and Resources, Clean Energy Applications and Smart Grid Development. These activities commenced operations in 2010. PIDC, Penn State and nearly 100 partners have submitted an application to the Department of Energy to support a \$130 million center for Energy Efficient Buildings at The Navy Yard. DOE’s decision on this proposal is expected in fall 2010.

- In 2009, two significant private investments in the Clean Energy Campus were announced. The first was the development of a 7-acre, 1.5 mega watt solar array to be developed by a partnership of Conergy and Exelon Power Generation. This facility is expected to be under construction in the second quarter of 2010. The second project is the development of a 350,000 square foot, \$400 million thin film, solar panel manufacturing facility by Heliospehra USA. This facility is proposed for a start of construction at the end of 2010 or early 2011.
- The Navy Yard also supports a significant and growing life sciences community. In 2004, AppTec Laboratory Services, a Minneapolis based provider of contract testing and manufacturing services to the pharmaceutical sector, developed a new, 75,000 square foot office and lab facility at The Navy Yard. Established with approximately 40 employees initially, AppTec now has more than 260 employees at The Navy Yard. In 2008, WuXi Pharmaceuticals acquired AppTec and now houses its North American contract testing operation and 200 employees at The Navy Yard. This facility was recently acquired by Charles River Laboratories, North America’s largest contract manufacturing operation. Phoenix IP Ventures, an intellectual property Merchant Bank focused in the life sciences area, established its corporate headquarters at The Navy Yard, where it also houses operations for its growing base of companies.

Additional Projects under Construction

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

**Table 30
Projects under Construction**

Project	Estimated Cost
City Hall Exterior Renovation Project	\$90,000,000
Presidents House	\$8,400,000
Robin Hood Dell Restoration	\$5,500,000
Emergency Standby Generators	\$4,600,000
Philadelphia Industrial Correctional Center Security Upgrade Project	\$2,100,000
Fire Point Source Capture	\$11,000,000
Waterworks Esplanade Bulkhead Reconstruction	\$1,100,000
New Youth Study Center	\$93,000,000

Source: Office of Budget and Program Evaluation, December 2009

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