NEW ISSUE - BOOK ENTRY ONLY

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

Interest on the 2021A Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). In the opinion of Co-Bond Counsel, interest on the 2021B Bonds will be excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, subject to the conditions described in "TAX MATTERS" herein. In addition, interest on the 2021B Bonds will not be treated as an item of tax preference under Section 57 of the Code, for purposes of the federal alternative minimum tax. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the 2021 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2021 Bonds. For a more complete discussion, see "TAX MATTERS" herein.

$98,560,000
PHILADELPHIA REDEVELOPMENT AUTHORITY
City Service Agreement Revenue Bonds

$89,685,000
City Service Agreement Revenue Bonds, Series A of 2021 (Federally Taxable Social Bonds)

$8,875,000
City Service Agreement Revenue Bonds, Series B of 2021 (Tax-Exempt Social Bonds)

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

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

The 2021 Bonds. The Philadelphia Redevelopment Authority (the "Authority") is issuing the above-referenced bonds (the "2021 Bonds"). The Authority and The City of Philadelphia (the "City") have designated the 2021 Bonds as "Social Bonds." See "DESIGNATION OF THE 2021 BONDS AS SOCIAL BONDS."

Purpose. The 2021A Bonds are being issued to (i) finance certain costs of the Program, including certain Program-wide administrative costs, as further described herein, and (ii) pay the costs of issuing the 2021A Bonds. The 2021B Bonds are being issued to (i) finance certain costs of the Program, as further described herein, and (ii) pay the costs of issuing the 2021B Bonds. For more information on the Program and the use of the proceeds of the 2021 Bonds, see "INTRODUCTION – Purpose," "THE AUTHORITY – Neighborhood Preservation Initiative," and "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security. The following is qualified in all respects by the information in this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2021 BONDS" and the documents referenced under such caption. As further described herein, the 2021 Bonds are payable by the Authority solely from certain payments to be made by:

THE CITY OF PHILADELPHIA

The Series 2021 Bonds are payable by the Authority solely from certain service fee payments (the "Service Fee") to be paid by the City under the Service Agreement dated as of October 1, 2021 (the "Service Agreement"), between the Authority and the City, and certain funds held under the Indenture.

General. The Service Fee under the Service Agreement is sized to be sufficient to pay, among other things, the principal of and interest on the 2021 Bonds when due. The Service Fee is payable solely from the current revenues of the City, is subject to annual appropriation by the City, and City Council is required by the City Charter to appropriate to pay the Service Fee in each Fiscal Year. The City has covenanted in the Service Agreement and the Ordinance to include in its annual operating budget and appropriate in each Fiscal Year amounts sufficient to pay all Service Fee payments in such Fiscal Year when due. The obligation of the City to pay the Service Fee pursuant to the Service Agreement is unconditional and absolute.

Special Limited Obligations. The 2021 Bonds are special limited obligations of the Authority, payable solely and exclusively from the Trust Estate established under the Indenture. The 2021 Bonds are not a debt or liability of the City, the Commonwealth or any political subdivision thereof and shall not create or constitute an indebtedness, liability or obligation (legal, moral or otherwise) of the City, the Commonwealth or any political subdivision thereof. Neither the general credit of the Authority nor the credit or taxing power of the City, the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of or any premium or interest on the 2021 Bonds. The 2021 Bonds are not secured by the General Fund of the City. The Authority has no taxing power.

Redemption. The 2021 Bonds are subject to redemption prior to maturity, as described herein. See "THE 2021 BONDS – Redemption Provisions" herein.

Additional Obligations. The Authority has reserved the right to issue additional bonds and certain other obligations secured on a parity basis with the 2021 Bonds under the circumstances and upon satisfaction of certain conditions described in the Ordinance and the Indenture, all as described herein. See "THE 2021 BONDS – Additional Obligations" herein.

Interest Payment Dates. Interest on the 2021 Bonds is payable semiannually on each March 1 and September 1, commencing on March 1, 2022.

Tax Status. For information on the tax status of the 2021 Bonds, see the italicized language at the top of this cover page and "TAX MATTERS" herein.

Delivery Date. It is expected that the 2021 Bonds will be available for delivery to DTC on or about October 26, 2021.

This cover page contains certain information for quick reference only. It is not a summary of the 2021 Bonds or this Official Statement. Investors must read the entire Official Statement, including the Appendices, which are an integral part hereof, to obtain information essential to the making of an informed investment decision regarding the 2021 Bonds.

The 2021 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters and subject to the approval of the legality of the issuance of the 2021 Bonds by Cozen O'Connor and Ahmad Zaffarese LLC, Co-Bond Counsel, both of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Authority by Ryan Harmon, Esq., General Counsel to the Authority, and Turner Law, P.C., Philadelphia, Pennsylvania, Special Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department. Hawkins Delafield & Wood LLP and Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, as Co-Disclosure Counsel to the City, will each deliver an opinion to the City and the Underwriters regarding certain matters.

Siebert Williams Shank & Co., LLC **PNC Capital Markets LLC**

Dated: October 13, 2021

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

$89,685,000
PHILADELPHIA REDEVELOPMENT AUTHORITY
City Service Agreement Revenue Bonds,
Series A of 2021
(Federally Taxable Social Bonds)

Maturity Date (September 1)	Principal Amount	Interest Rate	Price	CUSIP†
2022	$3,625,000	0.468%	100.000	717868GJ6
2023	4,295,000	0.618	100.000	717868GK3
2024	4,325,000	1.032	100.000	717868GL1
2025	4,370,000	1.377	100.000	717868GM9
2026	4,430,000	1.637	100.000	717868GN7
2027	4,500,000	1.927	100.000	717868GP2
2029	2,535,000	2.239	100.000	717868GQ0
2030	2,580,000	2.339	100.000	717868GR8
2031	2,645,000	2.429	100.000	717868GS6
2032	2,710,000	2.649	100.000	717868GT4
2033	5,285,000	2.799	100.000	717868GU1
2034	5,430,000	2.899	100.000	717868GV9
2035	5,590,000	2.999	100.000	717868GW7
2036	5,760,000	3.049	100.000	717868GX5

$31,605,000 Term Bond maturing September 1, 2041; Interest Rate: 3.172%; Price: 100.000; CUSIP 717868GY3

† CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of 2021A Bonds only at the time of issuance of the 2021A Bonds and the City, the Authority, the Trustee, and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the 2021A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2021A Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the 2021A Bonds.

$8,875,000
PHILADELPHIA REDEVELOPMENT AUTHORITY
City Service Agreement Revenue Bonds,
Series B of 2021
(Tax-Exempt Social Bonds)

Maturity Date (September 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP[†]
2029	$2,055,000	5.000%	127.259	1.330%	717868GZ0
2030	2,165,000	5.000	129.278	1.460	717868HA4
2031	2,270,000	5.000	131.286	1.560	717868HB2
2032	2,385,000	5.000	130.648*	1.620*	717868HC0

* Price and yield calculated to the first optional call date of September 1, 2031, at par.

† CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of 2021B Bonds only at the time of issuance of the 2021B Bonds and the City, the Authority, the Trustee, and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the 2021B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2021B Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the 2021B Bonds.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR

HONORABLE JAMES F. KENNEY

MAYOR'S CHIEF OF STAFF

James Engler

MAYOR'S CABINET

Tumar Alexander. .... Managing Director
Rob Dubow .... Director of Finance
Diana P. Cortes .... City Solicitor
Nefertiri Sickout .... Chief Diversity, Equity & Inclusion Officer
Stephanie Tipton .... Chief Administrative Officer
Michael A. Rashid .... Director of Commerce
Anne Fadullon .... Director of Planning & Development
Otis Hackney .... Chief Education Officer
Sheila Hess .... City Representative
Sarah E. Stevenson .... Chief Integrity Officer
Alexander F. DeSantis .... Inspector General
Richard Lazer .... Deputy Mayor for Labor Relations
Cynthia Figueroa .... Deputy Mayor for Children and Families
Deborah Mahler .... Deputy Mayor for Intergovernmental Affairs

CITY TREASURER

Jacqueline Dunn

CITY CONTROLLER

Rebecca Rhynhart

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority, the City, or the Underwriters to give any information or to make representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City, or the Underwriters. The offering of the 2021 Bonds is made only by means of this entire Official Statement.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2021 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2021 Bonds described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement among the Authority, the City, the Underwriters and the purchasers or owners of any offered 2021 Bonds. This Official Statement is being provided to prospective purchasers either in bound printed form ("Original Bound Format") or in electronic format on the following websites: www.mcelweequinn.com and http://emma.msrb.org. This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed in full directly from such website.

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

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

Estimates and Forecasts. The statements contained in this Official Statement and the Appendices hereto that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date of this Official Statement, and neither the Authority nor the City assumes any obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability to fulfill some or all of the obligations under the 2021 Bonds.

Public Offering Prices. In connection with the offering of the 2021 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2021 Bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

No Recommendation or Registration. The 2021 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The 2021 Bonds have not been registered with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such act; and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such act.

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

Summary of the Offering

This summary is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the 2021 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page, the inside cover pages, and the Appendices. Capitalized terms used in this summary and not otherwise defined in the front portion of this Official Statement have the meanings given to such terms in APPENDIX D.

Issuer: The Philadelphia Redevelopment Authority (the "Authority").

Bonds Offered: $89,685,000 aggregate principal amount City Service Agreement Revenue Bonds, Series A of 2021 (Federally Taxable Social Bonds) (the "2021A Bonds")

$8,875,000 aggregate principal amount City Service Agreement Revenue Bonds, Series B of 2021 (Tax-Exempt Social Bonds) (the "2021B Bonds," and together with the 2021A Bonds, the "2021 Bonds")

Designation as Social Bonds: The Authority and The City of Philadelphia (the "City") have designated the 2021 Bonds as "Social Bonds." See "DESIGNATION OF THE 2021 BONDS AS SOCIAL BONDS."

Interest Payment Dates: Interest on the 2021 Bonds is payable semiannually on each March 1 and September 1, commencing on March 1, 2022.

Security and Sources of Payment: The following is qualified in all respects by the information in this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2021 BONDS" and the documents referenced under such caption.

The 2021 Bonds are payable by the Authority solely from certain service fee payments (the "Service Fee") to be paid by The City of Philadelphia (the "City") under the Service Agreement dated as of October 1, 2021 (the "Service Agreement"), between the Authority and the City, and certain funds held under the Indenture.

General

The Service Fee under the Service Agreement is sized to be sufficient to pay, among other things, the principal of and interest on the 2021 Bonds when due. The Service Fee is payable solely from the current revenues of the City, is subject to annual appropriation by the City, and City Council is required by the City Charter to appropriate to pay the Service Fee in each Fiscal Year. The City has covenanted in the Service Agreement and the Ordinance to include in its annual operating budget and appropriate in each Fiscal Year amounts sufficient to pay all Service Fee payments in such Fiscal Year when due. The obligation of the City to pay the Service Fee pursuant to the Service Agreement is unconditional and absolute.

Special Limited Obligations

The 2021 Bonds are special limited obligations of the Authority, payable solely and exclusively from the Trust Estate established under the Indenture. The 2021 Bonds are not a debt or liability of the City, the Commonwealth of Pennsylvania (the "Commonwealth") or any political subdivision thereof and shall not create or constitute an indebtedness, liability or obligation (legal, moral or otherwise) of the City, the Commonwealth or any political subdivision thereof. Neither the general credit of the Authority nor the credit or taxing power of the City, the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of or any premium or interest on the 2021 Bonds. The 2021 Bonds

are not secured by the General Fund of the City. The Authority has no taxing power.

Additional Obligations: The Authority has reserved the right to issue additional obligations secured on a parity basis with the 2021 Bonds under the circumstances and upon satisfaction of certain conditions described in the Ordinance and the Indenture, all as described herein. See "THE 2021 BONDS – Additional Obligations" herein.

Use of Proceeds: The proceeds of the 2021A Bonds are being used to (i) finance certain costs of the Program, including certain Program-wide administrative costs, as further described herein, and (ii) pay the costs of issuing the 2021A Bonds.

The proceeds of the 2021B Bonds are being used to (i) finance certain costs of the Program, as further described herein, and (ii) pay the costs of issuing the 2021B Bonds.

For more information on the Program and the use of the proceeds of the 2021 Bonds, see "INTRODUCTION – Purpose," "THE AUTHORITY – Neighborhood Preservation Initiative," and "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

Redemption: The 2021 Bonds are subject to redemption prior to maturity, as described herein. See "THE 2021 BONDS – Redemption Provisions" herein.

Authorized Denominations: The 2021 Bonds will be issued as registered bonds in denominations of $5,000 and integral multiples thereof.

Form and Depository: The 2021 Bonds will be delivered solely in registered form under a global book-entry system through the facilities of DTC. See APPENDIX G.

Tax Status: For information on the tax status of the 2021 Bonds, see the italicized language at the top of the cover page of this Official Statement and "TAX MATTERS" herein.

Ratings:

Fitch	"A-" (stable outlook)
Moody's	"A2" (stable outlook)
S&P	"A" (stable outlook)

See "RATINGS" herein.

TABLE OF CONTENTS

APPENDIX A: GOVERNMENT AND FINANCIAL INFORMATION
APPENDIX B: CITY SOCIOECONOMIC INFORMATION
APPENDIX C: ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY OF PHILADELPHIA FOR THE YEAR ENDED JUNE 30, 2020
APPENDIX D: SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT
APPENDIX E: PROPOSED FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL
APPENDIX F: FORM OF CONTINUING DISCLOSURE AGREEMENT
APPENDIX G: BOOK-ENTRY ONLY SYSTEM
APPENDIX H: FORM OF SOCIAL BONDS REPORTING

OFFICIAL STATEMENT

Relating To

$98,560,000
PHILADELPHIA REDEVELOPMENT AUTHORITY
City Service Agreement Revenue Bonds

$89,685,000 **City Service Agreement Revenue Bonds,** **Series A of 2021** **(Federally Taxable Social Bonds)**	**$8,875,000** **City Service Agreement Revenue Bonds,** **Series B of 2021** **(Tax-Exempt Social Bonds)**

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover pages, and the attached Appendices, is furnished in connection with the offering by the Philadelphia Redevelopment Authority, Philadelphia, Pennsylvania (the "Authority") of (i) $89,685,000 aggregate principal amount of its City Service Agreement Revenue Bonds, Series A of 2021 (Federally Taxable Social Bonds) (the "2021A Bonds") and (ii) $8,875,000 aggregate principal amount of its City Service Agreement Revenue Bonds, Series B of 2021 (Tax-Exempt Social Bonds) (the "2021B Bonds," and together with the 2021A Bonds, the "2021 Bonds"). Reference should be made to the material under the caption "THE 2021 BONDS" for a description of the 2021 Bonds and to APPENDIX G for a description of the book-entry system applicable thereto.

Certain factors that may affect an investment decision concerning the 2021 Bonds are described throughout this Official Statement. Prospective purchasers considering a purchase of the 2021 Bonds should read this Official Statement, including the cover page, the inside cover pages and the Appendices, which are an integral part hereof, in its entirety. All estimates and assumptions of financial and other information are based on information currently available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting forward-looking statements may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from the adopted and proposed budgets of The City of Philadelphia (the "City"), as well as from the City's five-year financial plans. See APPENDIX A – "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information" hereto. Accordingly, no assurance is given that any projected future results will be achieved.

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

Authorization

The 2021 Bonds are being issued pursuant to the provisions of the Pennsylvania Urban Redevelopment Law, Act No. 385 of the General Assembly of the Commonwealth of Pennsylvania approved May 24, 1945 (P.L. 991), as amended and supplemented (the "Act"), and a resolution of the Authority adopted on September 8, 2021 (the "Resolution"). The 2021 Bonds will be secured under the terms of a Trust Indenture dated as of October 1, 2021 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

Pursuant to an Ordinance (Bill No. 210203) passed by the City Council on May 13, 2021, and signed by the Mayor of the City on May 27, 2021 (the "Ordinance"), the City has authorized the payment of the Service Fee (as defined herein).

COVID-19 Response

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

Due to the increase in the number of COVID-19 cases around the country and internationally, federal, state, and local bodies enacted legislation, and other administrative orders, directives, and guidance to mitigate the impacts of COVID-19 on the general population and the economy. In March 2020, the Commonwealth was placed under a disaster emergency order as issued by the Governor of Pennsylvania (the "Governor"). By April 1, 2020, stay-at-home orders were in place for the entire Commonwealth. The Commonwealth's restrictions in the stay-at-home orders were modified, as circumstances permitted, and all of the Commonwealth's COVID-19 restrictions were lifted as of June 28, 2021.

The Mayor also implemented various emergency measures and other actions to respond to the spread of COVID-19 in the City, including the City's own stay-at-home order. Such measures were modified depending on the then-current health and safety conditions in the City. All of the City's COVID-19 restrictions were lifted as of June 11, 2021. City offices fully reopened to both employees and the public on July 6, 2021.

As a result of the delta variant of COVID-19 and as a proactive public health measure, the City instituted a new mask requirement on August 12, 2021. City businesses and institutions that require vaccination for all employees and patrons are exempted from having a mask requirement. However, masks are required indoors at all City businesses and institutions that do not require vaccination for employees and patrons. Indoor dining will be allowed to continue in restaurants. In restaurants that require proof of vaccination for everyone (staff and patrons), masks do not need to be worn. If a vaccine is not required for everyone that enters a restaurant, masks are to be worn by all patrons and staff the entire time while not seated and eating or drinking. Masks are required at all non-seated outdoor events in the City with more than 1,000 attendees.

In the City, there have been 175,007 confirmed cases of COVID-19, resulting in 3,883 deaths (as of October 4, 2021). While the overall risk of COVID-19 transmission in the City remains high, cases in the City have begun to abate. The approval by the United States Food and Drug Administration of vaccines from three manufacturers for general use and the City's high vaccination rate are expected to help limit the duration of the COVID-19 pandemic. In the City, vaccine distribution for frontline healthcare workers began in mid-January 2021. Over the next several months, Philadelphians had access to the COVID-19 vaccinations based on a phased schedule of priority populations informed by guidance from the Centers for Disease Control and Prevention. Currently, all Philadelphians 12 years of age and older are eligible to receive the COVID-19 vaccinations at 250 locations across the City. As of October 4, 2021, the City Health Department reports more than 936,100 fully vaccinated Philadelphians (approximately 70%) and more than 205,050 partially vaccinated Philadelphians (together with fully vaccinated, approximately 85%). For more information on the City's response to COVID-19, including the phased distribution of the COVID-19 vaccines, see https://www.phila.gov/programs/coronavirus-disease-2019-covid-19/. Such website is included herein for reference only and the information contained therein is not incorporated by reference in this Official Statement.

The City continues to closely monitor and assess the effects of the COVID-19 pandemic and its impact on the City's financial position and operations. No assurances can be given that circumstances will not deteriorate in the future as a result of a subsequent COVID-19 outbreak or surge in cases related to any COVID-19 variants. For more information on the City's response to COVID-19 and the related financial impact on the City, see APPENDIX A – "OVERVIEW – Fiscal Health of the City – COVID-19" and APPENDIX B – "CITY SOCIOECONOMIC INFORMATION – COVID-19.

Purpose

The Authority and the City have determined, in accordance with the Ordinance, that the Authority will, at the direction and with the cooperation of the City, by entering into the Service Agreement (as defined herein), provide financial and administrative services to the City in connection with, and undertake, certain housing, small business, commercial corridors, and neighborhood infrastructure programs within the City referred to as the "Neighborhood Preservation Initiative" (the "Program"), including the financing of certain costs thereof, all as further described in the Ordinance in order to encourage the provision of healthful homes and a decent living environment, eliminate blight, preserve critical affordable housing, respond to inadequacies in the supply of residential owner-occupied and rental housing in the City, encourage the provision of adequate places for employment, and promote economic activity to improve the health, safety and welfare of residents of the City as further described in the Ordinance through redevelopment, renewal, rehabilitation, housing, conservation, urban beautification and/or commercial section and neighborhood development activities.

The proceeds of the 2021A Bonds are being used to (i) finance certain costs of the Program, including certain Program-wide administrative costs, as further described herein, and (ii) pay the costs of issuing the 2021A Bonds.

The proceeds of the 2021B Bonds are being used to (i) finance certain costs of the Program, as further described herein, and (ii) pay the costs of issuing the 2021B Bonds.

For more information on the Program and the use of the proceeds of the 2021 Bonds, see "THE AUTHORITY – Neighborhood Preservation Initiative" and "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

Philadelphia Redevelopment Authority

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

Security for the 2021 Bonds

The following is qualified in all respects by the information in this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2021 BONDS" and the documents referenced under such caption.

The 2021 Bonds are payable by the Authority solely from certain service fee payments (the "Service Fee") to be paid by the City under the Service Agreement dated as of October 1, 2021 (the "Service Agreement"), between the Authority and the City, and certain funds held under the Indenture.

General. The Service Fee under the Service Agreement is sized to be sufficient to pay, among other things, the principal of and interest on the 2021 Bonds when due. The Service Fee is payable solely from the current revenues of the City, and is subject to annual appropriation by the City. City Council is obligated by the City Charter (as defined herein) to make appropriations from year to year to pay the Service Fee coming due under the Service Agreement. The City has covenanted in the Service Agreement and the Ordinance to include in its annual operating budget and appropriate in each Fiscal Year amounts sufficient to pay all Service Fee payments in such Fiscal Year when due. The obligation of the City to pay the Service Fee pursuant to the Service Agreement is unconditional and absolute.

Under the Indenture, the Authority has assigned, and granted a security interest in, and pledged, to the Trustee all of the right, title and interest of the Authority in and to the Service Agreement (except for rights reserved under the Service Agreement) and amounts held in certain funds and accounts established under the Indenture. The City has covenanted in the Ordinance to make all Service Fee payments and to pay certain other amounts due under the Service Agreement directly to the Trustee, as assignee of the Authority, so long as any Obligations are Outstanding under the Indenture.

Special Limited Obligations. The 2021 Bonds are special limited obligations of the Authority, payable solely and exclusively from the Trust Estate (as defined herein) established under the Indenture. The 2021 Bonds are not a debt or liability of the City, the Commonwealth or any political subdivision thereof and shall not create or constitute an indebtedness, liability or obligation (legal, moral or otherwise) of the City, the Commonwealth or any political subdivision thereof. Neither the general credit of the Authority nor the credit or taxing power of the City, the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of or any premium or interest on the 2021 Bonds. The 2021 Bonds are not secured by the General Fund of the City. The Authority has no taxing power.

Trustee

U.S. Bank National Association is a national banking association organized and existing under the laws of the United States of America, having a corporate trust office in Philadelphia, and is serving as Trustee under the Indenture. The designated corporate trust office of the Trustee is U.S. Bank National Association, Two Liberty Place, 50 S. 16th Street, Suite 2000, Mail Station EX-PA-WBSP, Philadelphia, PA 19102, Attention: Global Corporate Trust.

Information Regarding The City of Philadelphia

APPENDIX A provides information regarding the City, including relevant statutory provisions, financial information, litigation information, the City's relationship with the Pennsylvania Intergovernmental Cooperation Authority ("PICA") and the City's five-year plans. APPENDIX B contains socioeconomic and demographic information about the City. APPENDIX C contains the Annual

Comprehensive Financial Report of the City for the Fiscal Year ended June 30, 2020 (the "Fiscal Year 2020 ACFR"). Certain information contained in APPENDIX A regarding the City is for periods prior to or subsequent to June 30, 2020. As a result, certain of the information in APPENDIX C may vary from corresponding information concerning the City in APPENDIX A.

The Fiscal Year 2020 ACFR was filed with the Municipal Securities Rulemaking Board ("MSRB") on February 25, 2021, through the MSRB's Electronic Municipal Market Access ("EMMA") system. For bonds issued in calendar year 2015 and thereafter, the annual filing deadline for the ACFR is February 28; for bonds issued prior to calendar year 2015, the annual filing deadline for the ACFR is 240 days after the end of the respective Fiscal Year, being February 25.

The Fiscal Year 2020 ACFR and other information about the City can be found on the City's website at www.phila.gov/investor (the "City's Investor Website"). The "Terms of Use" statement of the City's Investor Website, which applies to all users of the City's Investor Website, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City's Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. The information contained on the City's Investor Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2021 Bonds should rely only on information contained in this Official Statement or expressly incorporated by reference herein.

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2020 ACFR. The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the basic financial statements of the City in the Fiscal Year 2020 ACFR.

The Authority makes no representation as to the accuracy of any information contained in, or referenced in, this Official Statement relating to the City. Because the general credit of the Authority is not pledged to the payment of the 2021 Bonds, no financial information or operating data with respect to the Authority has been included in this Official Statement.

Miscellaneous

Brief descriptions of the Authority, the 2021 Bonds, the Service Agreement, the Ordinance, and the Indenture are included in this Official Statement. The summaries of the documents contained herein do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference to the entire text of such documents, and the description herein of the 2021 Bonds is qualified in its entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights and the exercise of judicial discretion.

Copies of the Ordinance, the Resolution, the Indenture, and the Service Agreement may be obtained from the Authority and, during the initial offering period, at the principal offices of the Representative of the Underwriters (as defined herein). After delivery of the 2021 Bonds, such copies may be obtained from the Trustee at its designated corporate trust office.

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

THE AUTHORITY

The Authority was established in 1945 pursuant to the Act. The Authority exists and operates under the Act for the public purposes of the elimination of blighted areas through economically and socially sound redevelopment of such areas, as provided by the Act, in conformity with the comprehensive general plan of the City, for residential, recreational, commercial, industrial or other purposes, and otherwise encouraging the provision of healthful homes, a decent living environment and adequate places of employment of the people of the Commonwealth. In order to carry out its corporate purposes, the Authority has the power under the Act and the Pennsylvania Redevelopment Cooperation Law, Act No. 383 of the General Assembly of the Commonwealth approved May 24, 1945 (P.L. 982), as amended and supplemented (the "Redevelopment Cooperation Law"), to issue bonds, to cooperate with the City and to enter into contracts necessary or convenient to the exercise of its power. The jurisdiction of the Authority is coextensive with the corporate limits of the City. In 2011, the Authority's name was changed from Redevelopment Authority of the City of Philadelphia to the Philadelphia Redevelopment Authority. In 2019, the Authority and the Philadelphia Land Bank combined under the Philadelphia Housing Development Corporation to achieve certain administrative and programmatic efficiencies. The Authority continues to exist as an Authority under the Act and continues to be governed by its own board (as described below). The principal office of the Authority is located at 1234 Market Street, 16th Floor, Philadelphia, Pennsylvania 19107, telephone (215) 854-6500, facsimile (215) 854-6603.

Organization

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

Name	Title	Term Expires (March 28)
Anne Fadullon	Chair	2026
James J. Cuorato	Vice Chair	2022
Maria Duque Buckley	2nd Vice Chair & Assistant Secretary	2025
Michael A. Rashid	Secretary	2023
Sabrina Maynard	Treasurer	2024

The Executive Director of the Authority, Gregory Heller, resigned from his position effective October 1, 2021. As of the date hereof, no replacement has been named.

Indebtedness of the Authority

The Authority has a number of special obligation bond and note issues outstanding and may issue others from time to time. Each such issue is payable solely from revenues derived from the project being financed or from special funds established therefor, is separately secured, and is separate and independent from the 2021 Bonds as to sources of payment and security.

The Authority has experienced a default with respect to an obligation issued by it, by reason of nonpayment of debt service by the party receiving financing through the Authority. However, the 2021 Bonds are payable solely from the funds pledged under the Indenture and any other obligations issued by the Authority are payable solely from the funds specifically pledged for the payment of such other obligations. Accordingly, a default on another issue of obligations issued by the Authority under another indenture would not constitute a default on the 2021 Bonds.

For more information on the issuance of Additional Obligations by the Authority under the Indenture, see "THE 2021 BONDS – Additional Obligations."

Neighborhood Preservation Initiative

The Neighborhood Preservation Initiative, or the Program, includes programs to be undertaken and/or administered by the Authority and the City, to improve and enhance housing, small business, commercial corridors and neighborhood infrastructure within the City in order to promote the health, welfare and safety of the residents of the City, prevent and eliminate blight, and encourage the provision of healthful homes, a decent living environment and adequate places of employment for residents of the City.

The Authority will, to the extent requested by the City, select, or otherwise cooperate with the City in the selection of certain governmental, non-profit and other entities, including minority, women, and disadvantaged business enterprise (MWDBE) contracting entities, as Program Intermediaries ("PIs") to assist in carrying out various program delivery activities. To the extent that the City utilizes PIs to administer elements of the Program and perform specified activities in connection with the Program, the Authority will cooperate with the City in the oversight, administration and coordination of such activities of such PIs to the extent directed by the City. The City and the Authority may also mutually determine that the Authority will carry out certain program delivery activities directly on behalf of the City.

Pursuant to the Redevelopment Cooperation Law, the Authority and the City expect to enter into an Intergovernmental Cooperation Agreement (the "Cooperation Agreement") to address the administration of the Program generally and certain particular matters with respect to a number of the housing-related components of the Program, as well as certain matters related to Program funds and fiscal responsibilities, among other things. Neither the Cooperation Agreement nor any payment to the Authority pursuant thereto is pledged to secure the payment of the 2021 Bonds. The Cooperation Agreement may be amended or terminated by the parties without any consent of, or notice to, the Trustee or the Holders of the 2021 Bonds.

In administering the Program, the City and the Authority may determine that additional intergovernmental cooperation agreements, memoranda of understanding, or other agreements or arrangements of a similar nature are necessary and beneficial in order to deliver certain components of the Program. Any such agreements or arrangements could involve parties in addition to the City or the Authority.

Proceeds of the 2021 Bonds are expected to be used for some or all of the costs (either incurred directly, or on a reimbursement basis, by the City, the Authority or PIs) of one or more of the various components of the Program described below. Proceeds of the 2021 Bonds may be used to make direct payments for costs of property acquisition, construction or improvements, or grants or loans in connection with carrying out various program delivery activities. Loans may be made at zero interest rates. **Any loan repayments made by borrowers under any part of the Program or other amounts recovered from borrowers or other program intermediaries, lenders or contractors (other than unspent proceeds of**

the 2021 Bonds on deposit in the Project Fund) do not constitute part of the Trust Estate and are not pledged to secure the 2021 Bonds.

The following summarizes the respective components of the Program. A more detailed description of the Program is set forth in the Ordinance, which is publicly available on City Council's website, no portion of which is incorporated by reference in this Official Statement.

Rental Assistance: Providing grants to landlords or directly to tenants to provide rental payment support for tenants who are low-income or rent burdened (i.e., spend more than 30% of their household income on housing-related expenses).

Small Landlord Loan Program: Making loans to small landlords (30 or fewer units in the portfolio for the particular landlord) to be used for making property repairs/improvements, addressing building code or lead-paint issues, or for use as working capital for costs related to the rental properties of such small landlords incurred in the ordinary course of their business.

Basic Systems Repair Program (BSRP): Providing grants to homeowners with household income of up to 50% of area median income (AMI) to fund repairs to correct electrical, plumbing, heating, structural and roofing emergencies in owner-occupied homes.

Adaptive Modifications Program (AMP): Providing grants to disabled renters (with permission of the related property owner) and homeowners with household income of up to 50% AMI to fund adaptation projects to provide easier access to and mobility within their homes.

PhillyFirstHome (PFH): Providing grants or forgivable loans of up to $10,000 (subject to federal or commercially prevailing inflation adjustors) (or up to 6% of the relevant home's purchase price, whichever is lower) for first-time and certain other eligible homebuyers, which funds are available to reduce the principal of homebuyer loans and cover down payment and loan closing costs for such homebuyers with household incomes of up to 120% AMI. Loan forgiveness is generally conditioned upon the homeowner remaining in the home for 15 years. If the home is sold prior to the end of the 15-year period, the loan must be repaid, subject to waivers for extenuating circumstances due to factors such as loss of a job, job relocation or illness.

Tangled Title (TT): Providing grants of up to $4,000 per applicant (subject to federal or commercially prevailing inflation adjustors) to cover any costs that are involved with helping low-income homeowners obtain clear title to their homes. All of the funds for the TT program are dispersed to third party vendors who perform the work needed to clear title.

Eviction Diversion Program (EDP): Providing funding for housing counseling and legal services for tenants and mediation services for tenants and landlords in accordance with existing EDP guidelines to help tenants avoid eviction, provided that no proceeds shall be paid directly to tenants or landlords. All of the funds for the EDP are dispersed to third party vendors who administer and provide services related to the EDP.

Housing Production (HPro): Providing loans and/or grants to PIs, homeowners, property owners and developers for costs of rehabilitation, property acquisition and new construction, and providing funds for property acquisition directly by the City, to increase the production of affordable homeownership and rental housing. The major components of the HPro program will consist of: (i) providing loans of up to $100,000 (subject to federal or commercially prevailing inflation adjustors) directly to first time homebuyers to buy down the cost of new construction units on publicly held land, (ii) providing funding as long-term, low interest subordinate debt to fill financing gaps for low-income housing projects which have already secured a reservation of tax credits, (iii) providing grant funding as short-term rent assistance to buy down the cost of rent for newly created units to make them affordable to low- and very-low income tenants, including with respect to projects that may include a mix of units at market rate rents and certain percentages of median rental prices, and (iv) providing grant funding via the Philadelphia Land Bank to purchase properties in order to complete development parcels for the development of affordable and mixed-income housing units.

Housing Preservation (HPres): Providing loans and/or grants to PIs, property owners and developers for costs of existing property acquisition and rehabilitation, and providing funds for existing property acquisition and rehabilitation directly by the City or PIs for potential resale, to preserve existing affordable rental housing, with special emphasis on the preservation of low-income housing tax credit rental housing developments. The major components of the HPres program will consist of: (i) providing funds for the public, private or not for profit acquisition of rental units at risk of being converted to market-rate units, and (ii) providing funds to be used to make capital improvements to existing affordable units.

Permanent Homeless Housing (PHH): Providing funds for the City or PIs to improve existing properties or provide for the costs of the acquisition of properties and their transfer to responsible owners/managers who will maintain the properties' suitability for permanent housing options for homeless residents, including the funding of loans to property owners and developers, the payment of settlement and other costs related to the acquisition and transfer of such properties and costs related to maintaining, managing and holding properties prior to their resale or other conveyance. The major components of the PHH program will consist of programs for (i) funding the acquisition of properties to provide for permanent housing for currently homeless individuals, (ii) funding capital improvements to create or maintain units for permanent, homeless housing, and (iii) providing grants to provide incentives, such as an upfront participation payment (per unit) and a rental loss and damages reserve (per unit) for rental property owners who commit to renting to people with rental assistance vouchers or other subsidy for a period commensurate with receiving public funding support, but no less than a period of 3 years.

Neighborhood Small Business Programs

Direct Support to Small Businesses: Providing grants and loans for start-up and growth-oriented small, Historically Disadvantaged businesses for capital expenditures for construction, improvement, renovation and rehabilitation of property and working capital expenditures for property repairs, property management services and rent support to support place-based business development in commercial areas at risk of deterioration and/or in or near low-income and middle neighborhoods.

Investment in Neighborhood Commercial Corridors (INCC): (i) Providing grants and loans and technical assistance to enable small business owners and local community development corporations to purchase and/or renovate commercial corridor properties in order to mitigate commercial vacancy and increase community ownership of small businesses, (ii) funding direct support for critical corridor business repairs (interior and exterior), new construction, and upper floor renovations programs, including through the InStore and Storefront Improvement Program necessary to help small business and property owners in low and moderate income corridors make capital investments that will benefit the entire corridor, improve safety and attractiveness, and decrease vacancy with outcome of increasing foot traffic and revenues, and (iii) funding improvements to publicly owned property for full streetscapes (i.e. curb, sidewalk, crosswalks and lighting) as well as "a la carte" infrastructure and projects to bring needed lighting, trash receptacles, landscaping, beautification, signage, and other improvements to commercial corridors outside of the City's central business district for the purpose of promoting equitable development in placemaking in corridors around the City.

Neighborhood Infrastructure Program: Providing grants or loans to property owners for improvement or enhancement of privately owned neighborhood infrastructure for the benefit of the residents of the City which may include retaining walls and other private assets in disrepair (e.g., driveways, alleys, sidewalks, trees and sewers) that may create dangerous or unhealthy conditions.

Miscellaneous

THE AUTHORITY HAS NOT PREPARED OR ASSISTED IN THE PREPARATION OF THIS OFFICIAL STATEMENT. EXCEPT FOR THE STATEMENTS MADE UNDER THE HEADINGS "INTRODUCTION – PHILADELPHIA REDEVELOPMENT AUTHORITY," "THE AUTHORITY" AND "NO LITIGATION – THE AUTHORITY," THE AUTHORITY IS NOT RESPONSIBLE FOR AND DOES NOT REPRESENT OR WARRANT IN ANY WAY THE ACCURACY OR COMPLETENESS OF ANY INFORMATION OR ANY STATEMENTS MADE HEREIN. ACCORDINGLY, EXCEPT AS AFORESAID, THE AUTHORITY DISCLAIMS RESPONSIBILITY FOR THE DISCLOSURES SET FORTH HEREIN MADE IN CONNECTION WITH THIS OFFER, SALE, AND DISTRIBUTION OF THE 2021 BONDS.

DESIGNATION OF THE 2021 BONDS AS SOCIAL BONDS

The Authority and the City have designated the 2021 Bonds as "Social Bonds" based on, among other things, the intended or actual use of proceeds for the respective components of the Program, as set forth in the Ordinance and described herein.

The Authority's Social Bonds designation reflects the intended or actual use of proceeds of the 2021 Bonds in a manner that is consistent with the "ICMA Social Bond Principles: Voluntary Process Guidelines for Issuing Social Bonds" (the "ICMA Social Bond Principles") as promulgated by the International Capital Market Association ("ICMA") and updated most recently in June 2021. The ICMA Social Bond Principles include project categories for the most commonly used types of projects (defined as "Social Projects") supported by or expected to be supported by the Social Bond market and indicate that Social Projects aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes, especially but not exclusively for target populations. The ICMA Social Bond Principles include Social Project categories, such as, providing and/or promoting: (i) affordable basic infrastructure, (ii) access to essential services, (iii) affordable housing, (iv) employment generation, (v) food security, or (vi) socioeconomic advancement and empowerment.

The Program, as summarized herein, includes certain housing, small business, commercial corridors, and neighborhood infrastructure programs within the City, including the financing of certain costs thereof, and includes elements of several of the Social Project categories in the ICMA Social Bond Principles. For more information on the Program, see "INTRODUCTION – Purpose" and "THE AUTHORITY – Neighborhood Preservation Initiative" herein. The Program serves certain of the target populations included in the ICMA Social Bond Principles such as (i) excluded and/or marginalized populations, (ii) communities that are underserved regarding affordable homeownership, and (iii) minorities and other target populations. The Authority's Social Bonds designation also reflects the process by which the Authority and the City have determined that the Program further advances housing, small business, commercial corridors, and neighborhood infrastructure programs within the City, including the way the Authority and the City intend to track the use of 2021 Bond proceeds to fund such programs and report on such activities.

The term "Social Bonds" is neither defined in nor related to provisions of the Indenture, the Ordinance or the Act. Bondholders do not have any security other than as provided in the Indenture and described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2021 BONDS." The Authority and the City do not assume any obligation to ensure that the 2021 Bonds comply with any legal or other standards or principles that may be related to the ICMA Social Bond Principles or that the 2021 Bonds comply with any legal or other standards or principles that may be related to "Social Bonds."

The ICMA Social Bond Principles, updated as of June 2021, include the following four core components: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; and 4. Reporting. The Authority's determination of the Social Bonds designation is based, in summary, on the following:

Use of Proceeds. The proceeds of the 2021 Bonds will be used to finance the various component programs comprising the Program. The Authority's designation of the 2021 Bonds as Social Bonds is based upon the anticipated use of proceeds and satisfaction of the other core components of the ICMA Social Bond Principles.

Project Evaluation and Selection. The projects comprising the Program will be selected consistent with the applicable program criteria and objectives as described in "THE AUTHORITY – Neighborhood Preservation Initiative."

Management of Proceeds. Net of certain transaction costs, the proceeds of the 2021 Bonds will be invested in Investment Obligations until disbursed to finance costs of the respective components of the Program. Such disbursements will be tracked by the Authority and the City in compliance with Program requirements.

Reporting. With respect to the 2021 Bonds, the Authority and the City expect to prepare an annual report on the Program with respect to the use of 2021 Bond proceeds (the specific form and content of which are in the absolute discretion of the Authority and the City). The Authority and the City expect that such report will consist of the information outlined in the Form of Social Bonds Reporting in "APPENDIX H – FORM OF SOCIAL BONDS REPORTING" in this Official Statement. The Authority or the City, through Digital Assurance Certification, L.L.C. ("DAC"), as dissemination agent, expects to post such report as a voluntary filing on EMMA. Although the Authority and the City intend to provide such report, there is no requirement to provide this report pursuant to the Continuing Disclosure Agreement (as described herein) or any other agreement to provide continuing disclosure and the failure to do so will not constitute an event of default thereunder or under the Indenture or the Service Agreement.

The information set forth under this heading "DESIGNATION OF THE 2021 BONDS AS SOCIAL BONDS" concerning the designation of the 2021 Bonds as "Social Bonds" has been furnished by the Authority and the City from sources that they believe to be reliable but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority or the City. The information and expressions of opinion related to the designation as Social Bonds 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 an implication that there has been no change in the affairs of the Authority or the City since the date hereof.

THE 2021 BONDS

General

The 2021 Bonds will be dated the date of their issuance and delivery and will bear interest at the respective rates per annum and will mature, subject to prior redemption, in the amounts and on the dates set forth on the inside cover page hereof. The 2021 Bonds are being issued as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof.

Interest on the 2021 Bonds is payable semiannually on each March 1 and September 1, commencing on March 1, 2022. Each such date is an "Interest Payment Date." Interest shall be computed on the basis of a year of 360 days, consisting of twelve 30-day months.

The principal and redemption price of each 2021 Bond will be payable at the designated corporate trust office of the Trustee or any Paying Agent upon presentation and surrender of such 2021 Bonds by the registered owners thereof. Interest on each 2021 Bond of a series is payable by check or draft of the Trustee mailed to the person in whose name such 2021 Bond is registered (the "Registered Owner") on the registration books maintained by the Trustee (the "Register") at the close of business on the applicable Record Date or Special Record Date (each as hereinafter defined) or, at the election of any such Registered Owner of at least $1,000,000 in aggregate principal amount of 2021 Bonds of such series, by wire transfer to an account at a financial institution in the continental United States upon written notice provided by such Registered Owner to the Trustee not later than the record date for the first payment to which such election applies.

The record date for any Interest Payment Date (each, a "Record Date") will be the fifteenth day preceding such Interest Payment Date (whether or not a business day). If sufficient funds for the payment of interest becoming due on any Interest Payment Date are not on deposit with the Trustee on such date, the interest so becoming due will cease to be payable to the Holders otherwise entitled thereto as of such date. If sufficient funds thereafter become available for the payment of such overdue interest, the Trustee will establish a special interest payment date (any such date being herein referred to as a "Special Interest Payment Date") on which such overdue interest will be paid and a special record date relating thereto (any such date, a "Special Record Date"), which will be the fifteenth day, whether or not a business day, preceding the Special Interest Payment Date, for determining the Holders of the 2021 Bonds entitled to such payments, and will mail a notice of each such date to each Holder of the applicable 2021 Bonds at least ten (10) days prior to the Special Record Date but not more than thirty (30) days prior to the Special Interest Payment Date.

The 2021 Bonds will be issued initially in "book entry" form only, as described in APPENDIX G.

Transfer and Exchange

The 2021 Bonds may be transferred and exchanged upon delivery thereof to the office of the Trustee, to the extent and upon the conditions set forth in the Indenture. No service charge shall be made for any exchange or transfer, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed.

Neither the Authority nor the Trustee is required to transfer or exchange any 2021 Bond during the fifteen (15) days immediately preceding the date of selection of the 2021 Bonds of such series to be redeemed and ending at the close of business on the date on which the notice of redemption is given, or to transfer or exchange any 2021 Bond selected or called for redemption in whole or in part.

No transfer or exchange of 2021 Bonds made other than as described above and in the Indenture shall be valid or effective for any purpose thereunder.

If any 2021 Bond is mutilated, lost, stolen or destroyed, the Authority shall execute and the Trustee shall authenticate and deliver a new 2021 Bond of like series, maturity, tenor and denomination. The Authority and the Trustee may require indemnification against any and all claims arising out of the issuance of substitute 2021 Bonds.

Redemption Provisions

Optional Redemption

2021A Bonds – Par Call (i.e. Optional Redemption on or after September 1, 2031). The 2021A Bonds maturing on or after September 1, 2032 are subject to redemption prior to maturity at any time on or after September 1, 2031, as a whole or in part (and if in part, in such order of maturity as directed by the City and within a maturity by lot), at the option of the Authority as directed by the City, at par, plus accrued interest to the date of redemption.

2021A Bonds – Make-Whole Redemption Call (i.e., Optional Redemption prior to September 1, 2031). The 2021A Bonds are subject to redemption prior to maturity, at the option of the Authority as directed by the City, from their date of issuance to and including August 31, 2031, in whole or in part (and if in part, in such order of maturity as directed by the City and within a maturity by lot), on any date, at a redemption price equal to 100% of the principal amount of 2021A Bonds to be redeemed, plus the Make-Whole Premium (as defined below), if any, together with interest accrued and unpaid to the redemption date.

The "Make-Whole Premium" is the applicable amount calculated (for each related maturity of the 2021A Bonds or portion thereof being redeemed) by the Calculation Agent equal to the positive difference, if any, between:

(a) The sum of the present values, calculated as of the date fixed for redemption of:

(1) Each interest payment that, but for the redemption, would have been payable on the 2021A Bond or portion thereof being redeemed on each regularly scheduled interest payment date occurring after the date fixed for redemption through the maturity date of such 2021A Bond (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled interest payment date with respect to such 2021A Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such 2021A Bond to the date fixed for redemption; plus

(2) The principal amount that, but for such redemption, would have been payable on the maturity date of the 2021A Bond or portion thereof being redeemed; minus

(b) The principal amount of the 2021A Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (a) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve (12) 30-day months) at a discount rate equal to the Comparable Treasury Yield plus the Spread.

For purposes of calculating the Make-Whole Premium:

"Calculation Agent" means a commercial bank or an investment banking institution of national standing that is a primary dealer of United States government securities (which may be one of the institutions that served as underwriters for the 2021A Bonds) designated by the City.

"Comparable Treasury Issue" means the United States Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the 2021A Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the 2021A Bond being redeemed.

"Comparable Treasury Price" means, with respect to any date on which a 2021A Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time at least three (3) business days but not more than forty-five (45) calendar days preceding the date fixed for redemption.

"Comparable Treasury Yield" means the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated "H.15 (519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the 2021A Bond being redeemed. The Comparable Treasury Yield will be determined at least three (3) business days but not more than forty-five (45) calendar days preceding the date fixed for redemption. If the H.15 (519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the 2021A Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the 2021A Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the 2021A Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15 (519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

"Reference Treasury Dealer" means a primary dealer of United States Government securities (which may be one of the institutions that served as underwriters for the 2021A Bonds) appointed by the City and reasonably acceptable to the Calculation Agent.

"Spread" means, for the 2021A Bonds maturing (i) September 1, 2022 through and including September 1, 2025, five basis points; (ii) September 1, 2026 through and including September 1, 2030, ten basis points; (iii) September 1, 2031 through and including September 1, 2032, fifteen basis points; and (iv) September 1, 2033 through and including September 1, 2041, twenty basis points.

2021B Bonds -- Par Call (i.e. Optional Redemption on or after September 1, 2031). The 2021B Bonds maturing on September 1, 2032, are subject to redemption prior to maturity at any time on or after September 1, 2031, as a whole or in part (and if in part, within such maturity by lot), at the option of the Authority as directed by the City, at par, plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption

The 2021A Bonds maturing on September 1, 2041 are subject to mandatory sinking fund redemption prior to maturity (to the extent that 2021A Bonds of such maturity in the principal amount otherwise required to be redeemed have not been previously purchased or optionally redeemed), on September 1 of the years and in the principal amounts set forth below, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date:

Year (September 1)	Amount
2037	$5,935,000
2038	6,120,000
2039	6,315,000
2040	6,515,000
2041*	6,720,000

*Stated Maturity

In the event a portion, but not all, of the 2021A Bonds (subject to mandatory redemption) maturing on a particular date is redeemed pursuant to optional redemption or purchased by the City and presented to the Trustee for cancellation, then the principal amount of any remaining mandatory sinking fund redemptions or the final maturity applicable to such 2021A Bonds will be reduced (subject to the ability to effect future redemptions of such 2021A Bonds in authorized denominations) in such amounts as specified by the City.

Notice of Redemption

Under the Indenture, the Trustee is required to provide notice of any redemption of 2021 Bonds to be mailed by first class mail, postage prepaid, to the Holders of all 2021 Bonds to be redeemed at the registered addresses appearing in the Register kept for such purpose pursuant to the Indenture, unless such notice is waived by the Holders of such 2021 Bonds to be redeemed.

Each such notice is required to (i) be mailed at least twenty (20) days prior to the redemption date, (ii) identify the 2021 Bonds, including by series, to be redeemed (specifying the CUSIP numbers, if any, assigned to the 2021 Bonds), (iii) specify the redemption date and the redemption price, and (iv) state that on the redemption date the 2021 Bonds called for redemption will be payable at the designated corporate trust office of the Trustee or Paying Agent, that from that date interest will cease to accrue, and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the 2021 Bonds.

Any notice of redemption mailed or sent in accordance with the requirements of the Indenture will be conclusively presumed to have been duly given, whether or not such notice is actually received by the Holders. No defect affecting any 2021 Bonds, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), will affect the validity of the redemption proceedings as to any other 2021 Bonds.

If at the time of mailing or sending of any notice of optional redemption the Authority will not have deposited with the Trustee moneys sufficient to redeem all the 2021 Bonds called for redemption, such notice will state that it is subject to the deposit of the redemption moneys with the Trustee on the redemption date and will be of no effect unless such moneys are so deposited. If such moneys are not so deposited, the Trustee will promptly notify the Holders of all 2021 Bonds called for redemption of such fact.

Additional Obligations

The Indenture provides for the issuance of Additional Obligations (as defined in APPENDIX D), secured on a parity basis with the 2021 Bonds under the circumstances and upon satisfaction of the conditions set forth in the Supplemental Indenture. No Additional Obligation may be issued under the Indenture unless the City executes and delivers to the Authority an amendment or supplement to the Service Agreement acknowledging the issuance of such Additional Obligations and confirming the obligations of the City to pay the Service Fee in amounts sufficient to pay the Payment Obligations with respect to such Additional Obligations. Under the Indenture, proceeds of Additional Obligations are required to be deposited as set forth in a Supplemental Indenture providing for the issuance thereof.

For more information on the issuance of Additional Obligations under the Indenture and the Service Agreement, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT – The Indenture – Additional Obligations" in APPENDIX D hereto.

SECURITY AND SOURCES OF PAYMENT FOR THE 2021 BONDS

General

The 2021 Bonds are secured pursuant to the Indenture (and constitute two series of "Obligations" thereunder). The 2021 Bonds are special limited obligations of the Authority and, together with any Additional Obligations and Credit Facility Payment Obligations (as defined in APPENDIX D), are payable solely and exclusively from the Trust Estate established under the Indenture, which includes the revenues pledged under the Indenture for their payment and derived by the Authority under the Service Agreement. Pursuant to the Indenture, the Service Fee payable by the City pursuant to the Service Agreement is pledged as part of the Trust Estate, as described below.

The 2021 Bonds are not a debt or liability of the City, the Commonwealth or any political subdivision thereof and shall not create or constitute an indebtedness, liability or obligation (legal, moral or otherwise) of the City, the Commonwealth or any political subdivision thereof. Neither the general credit of the Authority nor the credit or taxing power of the City, the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of or any premium or interest on the 2021 Bonds. The 2021 Bonds are not secured by the General Fund of the City. The Authority has no taxing power.

City Charter

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

Ordinance

Pursuant to the Ordinance, City Council has authorized the Service Agreement. The City has covenanted in the Ordinance to budget and make appropriations in each and every Fiscal Year in such amounts as will be required to make all Service Fee payments and pay all other amounts due and payable under the Service Agreement, and to make such payments to the Trustee, as assignee of the Authority, so long as the Obligations (including the 2021 Bonds) issued by the Authority under the Indenture are Outstanding.

Obligation of City to Pay Service Fee Unconditional and Absolute

The Service Agreement provides that the City is required to pay the Service Fee and additional amounts required under the Service Agreement with respect to administrative fees and expenses. The Ordinance and the Service Agreement each provide that the obligation of the City to pay the Service Fee shall be absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived or diminished regardless of any cause or circumstances, including any defense, rights of setoff, recoupment or counterclaim that the City might otherwise have or assert against the Authority, the Trustee, any bondholder or any other person. The obligations of the City to make payments under the Service Agreement shall continue in full force and effect so long as any of the 2021 Bonds remain Outstanding.

Indenture

In order to secure (i) all Obligations (including the 2021 Bonds) issued and Outstanding in accordance with the Indenture and each Supplemental Indenture, (ii) to the extent and in the manner provided in the Indenture, the payment of Credit Facility Payment Obligations, (iii) the rights of the Holders of Obligations (and, to the extent provided in the Indenture, Credit Issuers), and (iv) the performance and observance of all of the covenants contained in the Obligations, in the Indenture, and in each Supplemental Indenture, the Authority has assigned and granted to the Trustee a security interest in all of the right, title, and interest of the Authority in and to (a) the Service Agreement (except for the Reserved Rights (as defined in APPENDIX D) under the Service Agreement), (b) the Revenues, and (c) the funds and accounts established under the Indenture (collectively, the "Trust Estate").

The term "Revenues" is defined in the Indenture to mean (i) the Service Fee and all other amounts payable to the Authority by the City under the Service Agreement, and all rights to receive the same (except for payments with respect to the Reserved Rights), (ii) all moneys, investments and securities at any time and from time to time held in the Funds and Accounts including all interest earnings and gains on sales of Investment Securities on deposit in such Funds and Accounts established under the Indenture, and (iii) any other amounts appropriated by the City and paid by the City to the Authority or the Trustee and pledged by the Authority as security for the payment of Payment Obligations and Credit

Facility Payment Obligations or received from any other source by the Authority or the Trustee and pledged by the Authority as security for the payment of Payment Obligations and Credit Facility Payment Obligations.

The pledge and security interest granted to secure the Credit Facility Payment Obligations under the Indenture is subject and subordinate to the pledge and security interest granted to secure the Obligations (including the 2021 Bonds).

Service Agreement

The City has agreed in the Service Agreement to pay to the Trustee, as assignee of the Authority, the Service Fee in an amount sufficient, among other things, to pay the Annual Debt Service Requirement. Such term is defined in the Service Agreement as, with respect to each Fiscal Year, the sum of the amounts required to be paid by the Authority in such Fiscal Year for (i) the payment of principal and mandatory sinking fund redemptions of and interest on, or any other payments with respect to, the Obligations, and (ii) the payment of any Credit Facility Payment Obligations. See "– Service Fee Payable Out of Current Revenues; Covenant to Budget and Appropriate; Not City Indebtedness" below.

The failure of the City to pay the Service Fee or any other payment required to be paid by the City under the Service Agreement when due constitutes a default under the Service Agreement. A default under the Service Agreement will not cause an acceleration of payments thereunder. See "– Remedies for Bondholders" below.

See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT" in APPENDIX D hereto.

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

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

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

Remedies for Bondholders

The failure to pay, as the case may be, interest on, or principal or redemption price of, the 2021 Bonds when due constitutes an Event of Default under the Indenture. Upon the occurrence and continuation of such an Event of Default, the Trustee may (and, at the written direction of bondholders on the terms set forth in the Indenture, shall) declare the principal amount of the Outstanding 2021 Bonds (together with related Outstanding parity obligations to the extent set forth in the Indenture), to be immediately due and payable. If any Event of Default is continuing, the Trustee may (and, at the written direction of bondholders on the terms set forth in the Indenture, shall), in its own name exercise certain remedies in accordance with the terms set forth in the Indenture including: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders of the Obligations (including the 2021 Bonds) including the right to require the Authority to enforce collection of all amounts due and payable under the Service Agreement (other than with respect to the Reserved Rights), and to require the Authority to carry out any other agreements with, or for the benefit of, the Holders of the Obligations and to perform its duties under the Act; (b) bring suit upon the Obligations under the Indenture; (c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Holders of the Obligations; and (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Obligations and the Credit Providers.

Upon the occurrence and continuance of a payment default under the Service Agreement, the Authority (or the Trustee as assignee of the Authority) may, at its option exercise one or more of certain remedies including, among other things, instituting proceedings to require the City to perform its obligations under the Service Agreement, or to enjoin violations of the Authority's rights under the Service Agreement. In no event (including an acceleration of the Authority's payment obligations under the 2021 Bonds) shall payment of the Service Fee due under the Service Agreement be accelerated.

Accordingly, although the Trustee can accelerate the Authority's payment obligations with respect to the 2021 Bonds, neither the Authority nor the Trustee is empowered to accelerate the City's obligations under the Service Agreement to make payments thereunder in amounts sufficient to pay, among other things, the principal of and interest on the 2021 Bonds upon the occurrence and continuance of an Event of Default under the Indenture.

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

The rights and remedies of bondholders with respect to the City's and the Authority's obligations under the Service Agreement and the 2021 Bonds could be significantly limited by the provisions of Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Chapter 9 permits, under prescribed circumstances (and only after an authorization by the applicable state legislature or by a governmental office or organization empowered by state law to give such authorization), a "municipality" of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature, and it desires to effect a plan to adjust its debt. Chapter 9 defines "municipality" as a "political subdivision or public agency or instrumentality of a State." Thus, for purposes of Chapter 9, except as may be limited by state law, each of the Authority and the City would be considered a "municipality." As a result of the commencement of a federal bankruptcy case by either the Authority or the City, bondholders could experience delays in receiving bond payments, as well as partial or total losses of their investments in the 2021 Bonds.

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Pa. P.L. 9, No. 6 (1991)) (the "PICA Act"), prohibits the City from filing a petition for relief under Chapter 9 of the United States Bankruptcy Code so long as PICA has outstanding any bonds issued pursuant to the PICA Act. As of August 31, 2021, the principal amount of PICA Bonds outstanding was $33,955,000.

The final maturity date for such PICA bonds is June 15, 2023, which would occur prior to the final maturity of the 2021 Bonds. Furthermore, if no PICA bonds are outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City. If the Governor were to grant an approval for the City to file a petition under Chapter 9, and the City were to file, provisions of the United States Bankruptcy Code could limit the enforcement of bondholders' rights and remedies. For more information on PICA and legislation that was recently introduced in the House of Representatives of Pennsylvania that would extend the term of existence of PICA, among other things, see APPENDIX A – "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Non-Mayor-Appointed or Nominated Agencies* – PICA."

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

Regardless of any specific adverse determinations in an Authority or City bankruptcy proceeding, the existence of such a proceeding could have a materially adverse effect on the liquidity and value of the 2021 Bonds.

PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2021A Bonds are being used to (i) finance certain costs of the Program not otherwise financed by the 2021B Bonds, including certain Program-wide administrative costs, and (ii) pay the costs of issuing the 2021A Bonds.

The proceeds of the 2021B Bonds are being used to (i) finance certain costs related to the Basic Systems Repair and the Adaptive Modifications components of the Program, and (ii) pay the costs of issuing the 2021B Bonds.

For more information on the Program, see "INTRODUCTION – Purpose" and "THE AUTHORITY – Neighborhood Preservation Initiative" herein.

The following table sets forth estimated sources and uses of funds in connection with the 2021 Bonds:

	2021A Bonds	**2021B Bonds**	**Total**
Sources of Funds			
Principal Amount…………………………………..	$89,685,000.00	$8,875,000.00	$98,560,000.00
Original Issue Premium…………………………….	-	2,635,188.15	2,635,188.15
Total Sources of Funds	**$89,685,000.00**	**$11,510,188.15**	**$101,195,188.15**
Uses of Funds			
2021A Bonds Account of Project Fund……………	$88,600,000.00	-	$88,600,000.00
2021B Bonds Account of Project Fund…………….	-	$11,400,000.00	11,400,000.00
Costs of Issuance[(1)]…………………………………	1,085,000.00	110,188.15	1,195,188.15
Total Uses of Funds	**$89,685,000.00**	**$11,510,188.15**	**$101,195,188.15**

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

FISCAL YEAR DEBT SERVICE REQUIREMENTS

Set forth on the following page is the schedule of estimated Fiscal Year debt service payments due on (i) the 2021 Bonds and (ii) all outstanding General Fund-Supported Debt in each Fiscal Year of the City ending June 30. For more information on the City's outstanding debt, see "DEBT OF THE CITY" (and Tables 40-43 therein) and "OTHER FINANCING RELATED MATTERS" in APPENDIX A hereto.

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Amounts in Millions of USD[1]

Fiscal Year Ending June 30,	Debt Service on the 2021 Bonds (A)	Current Debt Service on General Obligation Debt[2], [3] (B)	Current Debt Service on all other General Fund-Supported Debt[4], [5], [6] (C)	Aggregate Debt Service on all General Fund-Supported Debt (A+B+C)
2022	$922,070	$187,999,824	$204,603,262	$393,525,156
2023	6,272,078	188,731,700	234,514,550	429,518,328
2024	6,920,324	188,539,574	250,709,630	446,169,528
2025	6,914,736	188,297,029	250,722,657	445,934,422
2026	6,907,331	180,825,250	249,895,006	437,627,587
2027	6,900,984	180,534,865	245,938,836	433,374,686
2028	6,891,367	180,922,514	248,845,419	436,659,300
2029	2,348,010	152,017,736	317,276,458	471,642,204
2030	6,858,255	164,227,174	94,928,182	266,013,612
2031	6,849,203	164,994,321	94,917,357	266,760,881
2032	6,846,031	165,066,857	52,130,230	224,043,118
2033	6,841,639	128,556,163	50,074,053	185,471,854
2034	6,862,156	114,223,227	64,465,864	185,551,248
2035	6,854,485	99,388,042	79,277,416	185,519,943
2036	6,851,955	99,374,855	41,710,640	147,937,450
2037	6,850,322	84,514,242	41,710,728	133,075,291
2038	6,843,382	84,594,567	41,711,280	133,149,229
2039	6,837,189	64,774,703	29,790,177	101,402,069
2040	6,834,970	30,193,100	19,975,138	57,003,208
2041	6,831,486	30,193,475	19,973,963	56,998,924
2042	6,826,579	30,196,175	19,973,088	56,995,842
2043	-	-	19,975,800	19,975,800
2044	-	-	19,975,175	19,975,175
2045	-	-	15,899,375	15,899,375
2046	-	-	15,899,625	15,899,625
2047	-	-	15,902,875	15,902,875
TOTALS[7]	**$133,064,554**	**$2,708,165,392**	**$2,740,796,782**	**$5,582,026,728**

(1) Does not include (a) debt service on PICA Bonds, (b) debt service on the City's revenue bonds or notes, which include Water and Wastewater Revenue Bonds, Gas Works Revenue Bonds, and Airport Revenue Bonds, (c) debt service on the City's tax and revenue anticipation notes, if any, or (d) letter of credit fees.

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

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

(4) Includes bonds of the Authority, PMA, PPA, and PAID, which are secured by agreements with the City to appropriate and pay amounts sufficient to pay principal, interest, or redemption price when due on such bonds. For capital appreciation bonds, only actual amounts payable are included.

(5) Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate, plus any fixed spread.

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

(7) Totals may not add due to rounding.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

NO LITIGATION

The Authority

There is no controversy or litigation of any nature now pending or threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of, or the Authority's obligations with respect to, the 2021 Bonds or contesting any proceedings of the Authority with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the 2021 Bonds or the existence or powers of the Authority or the validity or enforceability of the Resolution, the 2021 Bonds, the Indenture, the Service Agreement, or the Cooperation Agreement.

The City

Upon delivery of the 2021 Bonds, the City of Philadelphia Law Department (the "Law Department") shall furnish an opinion to the effect, among other things, that, except for litigation, other legal proceedings, or threats thereof which, in the opinion of the Law Department, are without merit and except as disclosed in this Official Statement (including in "LITIGATION" in APPENDIX A hereto and in Note 8 to the Fiscal Year 2020 ACFR, "Contingencies – Primary Government – Claims and Litigation" in APPENDIX C hereto), there is no litigation or other legal proceeding pending in any court or, to the best of its knowledge after inquiry within the Law Department, threatened in writing against the City, (i) seeking to restrain or enjoin the issuance, execution, delivery, or sale of the 2021 Bonds or the execution or delivery of the Indenture, the Service Agreement, or the Cooperation Agreement, or the performance of the City's obligations thereunder, (ii) contesting the validity of the Ordinance, (iii) contesting the validity or enforceability of the City's obligations under the 2021 Bonds, the Indenture, the Service Agreement, or the Cooperation Agreement, (iv) challenging the right of any City official who signs the Service Agreement or the Official Statement to hold his or her office, or (v) in which a final adverse decision can be anticipated which would reasonably be expected to materially and adversely affect the financial condition or operations of the City as a whole or the performance by the City of its obligations under the 2021 Bonds, the Indenture, the Service Agreement, or the Cooperation Agreement.

RATINGS

Fitch Ratings, Inc., Moody's Investors Service, Inc., and S&P Global Ratings, a division of S&P Global Inc., have assigned the 2021 Bonds ratings of "A-" (stable outlook), "A2" (stable outlook), and "A" (stable outlook), respectively. Such ratings reflect only the view of each such credit rating agency. An explanation of the significance of each of such ratings and any outlook may only be obtained from the rating agency furnishing the same.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance that any such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such credit rating agency if, in its judgment, circumstances so warrant. None of the Authority, the City, or the Underwriters has undertaken any responsibility to assure the maintenance of any rating. The City has agreed, in the Continuing Disclosure Agreement, to report actual rating changes on the 2021 Bonds. See "CONTINUING DISCLOSURE UNDERTAKING" herein and APPENDIX F hereto. Any downgrade, revision or withdrawal of a rating may have an adverse effect on the market price of or the market for the 2021 Bonds.

APPROVAL OF LEGAL MATTERS

The 2021 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters, subject to the receipt of approving opinions with respect to certain legal matters of Cozen O'Connor and Ahmad Zaffarese LLC, Co-Bond Counsel, both of Philadelphia, Pennsylvania. The proposed form of approving opinions of Co-Bond Counsel is attached hereto as APPENDIX E. Certain legal matters will be passed upon for the Authority by Ryan Harmon, Esq., General Counsel to the Authority, and Turner Law, P.C., Philadelphia, Pennsylvania, Special Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department. Hawkins Delafield & Wood LLP and the Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, as Co-Disclosure Counsel to the City, will each deliver an opinion to the City and the Underwriters regarding certain matters.

The various legal opinions to be delivered concurrently with the delivery of the 2021 Bonds express the professional judgment of the attorney or law firms rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney or law firm does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Federal Income Tax Treatment – 2021A Bonds

Interest on the 2021A Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code").

Federal Tax Exemption – 2021B Bonds

The Code contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2021B Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2021B Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority and the City subsequent to the issuance and delivery of the 2021B Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority and the City have covenanted to comply with all such requirements.

In the opinion of Co-Bond Counsel, interest on the 2021B Bonds will be excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. Interest on the 2021B Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax.

The opinion of Co-Bond Counsel assumes the accuracy of the representations and certifications of the Authority and the City and is subject to a number of qualifications and limitations, including the condition that the Authority and the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2021B Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2021B Bonds to be includable in gross income retroactive to the date of issuance of the 2021B Bonds. The Authority and the City have covenanted to comply with all such requirements.

Original Issue Premium. The 2021B Bonds of each stated maturity (the "Premium Bonds") have been sold with original issue premium. An amount equal to the excess of the initial public offering price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles. The amount of amortized bond premium (i) reduces the holder's basis in the Premium Bond for purposes of determining gain or loss for federal income tax purposes upon the sale or other disposition of such Premium Bond and (ii) is not allowed as a deduction for federal income tax purposes to the holder. **Purchasers of any Premium Bonds, whether at the time of the initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium.**

In addition to the matters addressed above, prospective purchasers of the 2021B Bonds should be aware that ownership of the 2021B Bonds may result in collateral tax consequences to certain taxpayers, including, but not limited to, foreign corporations, certain S corporations, financial institutions, recipients of social security and railroad retirement benefits and property or casualty insurance companies.

No assurances can be given that amendments to the Code or other federal legislation will not be introduced and/or enacted which would cause interest on the 2021B Bonds to be subject, directly or indirectly, to federal income taxation or adversely affect the market price of the 2021B Bonds or otherwise prevent the holders of the 2021B Bonds from realizing the full current benefit of the federal tax status of the interest thereon.

State Tax Exemption of the 2021 Bonds

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth, as enacted and construed on the date hereof, the interest on the 2021 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2021 Bonds.

This summary is based on laws, regulations, rulings and decisions now in effect, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary. **Prospective purchasers should consult their tax advisors about the consequences of purchasing or holding the 2021 Bonds**.

UNDERWRITING

The 2021 Bonds are being purchased by the Underwriters named on the cover page of this Official Statement (the "Underwriters"), for whom Siebert Williams Shank & Co., LLC ("SWS"), is acting as the representative (the "Representative"), subject to certain terms and conditions set forth in a Bond Purchase Agreement between the Authority and the Representative, on behalf of the Underwriters.

The 2021A Bonds are being purchased at a purchase price of $89,306,077.41, which reflects the par amount of the 2021A Bonds, less an Underwriters' discount of $378,922.59.

The 2021B Bonds are being purchased at a purchase price of $11,469,906.60, which reflects the par amount of the 2021B Bonds, plus original issue premium of $2,635,188.15, less an Underwriters' discount of $40,281.55.

The 2021 Bonds are offered for sale to the public at prices set forth on the inside front cover page of this Official Statement. The 2021 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2021 Bonds into investment trusts) at prices lower than such offering prices, and such public offering prices may be changed from time to time by the Underwriters without prior notice.

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISOR

PFM Financial Advisors LLC, of Philadelphia, Pennsylvania, and Acacia Financial Group, Inc., of Mount Laurel, New Jersey, are acting as co-financial advisors (together, the “Financial Advisors”) to the City in connection with the issuance of the 2021 Bonds. The Financial Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, and issuance of the 2021 Bonds. They have received and reviewed but have not independently verified information in this Official Statement for accuracy or completeness (except, as to each Financial Advisor, the information in this section). Investors should not draw any conclusions as to the suitability of the 2021 Bonds from, or base any investment decisions upon, the fact that the Financial Advisors have advised the City with respect to the 2021 Bonds. The Financial Advisors’ fees for this issue are contingent upon the sale and issuance of the 2021 Bonds.

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

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the Underwriters in complying with the requirements of Rule l5c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City, as obligated person, (i) will enter into a Continuing Disclosure Agreement with DAC, as dissemination agent, for the benefit of the Registered Owners (as defined in such agreement) of the 2021 Bonds, to be dated the date of original delivery of and payment for the 2021 Bonds, the form of which is annexed hereto as APPENDIX F, and (ii) has provided the disclosure in the following paragraphs.

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

In connection with the continuing disclosure annual filing for certain Gas Works Revenue Bonds that was made in February 2019, the audited financial statements for the Philadelphia Gas Works' fiscal year ended August 31, 2018, were inadvertently not filed until March 2019.

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

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

CERTAIN RELATIONSHIPS

Ahmad Zaffarese LLC provides certain legal services to the City in matters unrelated to the issuance and sale of the 2021 Bonds.

Cozen O'Connor has provided certain legal services to the City related to the issuance and sale of the 2021 Bonds, and also provides legal services to the City in matters unrelated to the issuance and sale of the 2021 Bonds.

Eckert Seamans Cherin & Mellott, LLC has provided certain legal services to the Underwriters related to the issuance and sale of the 2021 Bonds, and also provides legal services to the City and the Underwriters in matters unrelated to the issuance and sale of the 2021 Bonds.

An SWS affiliate ("Affiliate"), which is a registered investment advisor, has two sub-advisory agreements with PFM Asset Management LLC, which is an investment advisor affiliate of PFM Financial Advisors LLC. The sub-advisory agreements do not relate to the Authority and the City. Affiliate's business is separate from SWS' business and the employees of SWS who cover the Authority and the City are not involved in the activities of Affiliate.

Turner Law, P.C., from time to time, provides certain legal services to the City in matters unrelated to the issuance and sale of the 2021 Bonds.

MISCELLANEOUS

This Official Statement is made available only in connection with the sale of the 2021 Bonds and may not be used in whole or in part for any other purpose. This Official Statement is not to be construed as a contract or agreement between the Authority, the City, the Underwriters, and the purchasers or owners of any of the 2021 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any opinions or estimates herein will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof.

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

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

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

PHILADELPHIA REDEVELOPMENT AUTHORITY

By: /s/ Anne Fadullon
Name: Anne Fadullon
Title: Chair

Approved:

THE CITY OF PHILADELPHIA

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

APPENDIX A

GOVERNMENT AND FINANCIAL INFORMATION

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

Page

[THIS PAGE INTENTIONALLY LEFT BLANK]

OVERVIEW

The City of Philadelphia (the "City" or "Philadelphia"), located along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth" or "Pennsylvania"), is the largest city in the Commonwealth and the sixth largest city in the United States with approximately 1.584 million residents (based on 2019 estimates). According to the 2010 U.S. Census, the City increased its population in the ten years from 2000 to 2010, reflecting the City's first population gain in 60 years. From 2010 to 2019, the City increased its population by 3.6%. The City is also the center of the United States' eighth largest metropolitan statistical area, which is an 11-county area encompassing the City, Camden, NJ, and Wilmington, DE and represents approximately 6.1 million residents (based on 2019 estimates).

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. The City's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major regional business and personal services center with strengths in insurance, law, finance, healthcare, higher education, utilities, and the arts. In addition, the City is a center for health, education, research and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius.

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

Fiscal Health of the City

The City has implemented several strategies to address significant fiscal challenges, including the novel coronavirus ("COVID-19") pandemic, for Fiscal Year 2021 and over the course of Fiscal Years 2022-2026, which are described in the Fiscal Year 2021 Adopted Budget, the Twenty-Ninth Five-Year Plan, the Fiscal Year 2022 Adopted Budget, the Thirtieth Five-Year Plan, and the FY 2021 Fourth Quarter QCMR (all as defined herein), as applicable.

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

Due to the increase in the number of COVID-19 cases around the country and internationally, federal, state, and local bodies enacted legislation, and other administrative orders, directives, and guidance to mitigate the impacts of COVID-19 on the general population and the economy. In March 2020, the Commonwealth was placed under a disaster emergency order as issued by the Governor of Pennsylvania (the "Governor"). By April 1, 2020, stay-at-home orders were in place for the entire Commonwealth. The Commonwealth's restrictions in the stay-at-home orders were modified, as circumstances permitted, and all of the Commonwealth's COVID-19 restrictions were lifted as of June 28, 2021.

The Mayor also implemented various emergency measures and other actions to respond to the spread of COVID-19 in the City, including the City's own stay-at-home order. Such measures were modified depending on the then-current health and safety conditions in the City. All of the City's

COVID-19 restrictions were lifted as of June 11, 2021. City offices fully reopened to both employees and the public on July 6, 2021.

As a result of the delta variant of COVID-19 and as a proactive public health measure, the City instituted a new mask requirement on August 12, 2021. City businesses and institutions that require vaccination for all employees and patrons are exempted from having a mask requirement. However, masks are required indoors at all City businesses and institutions that do not require vaccination for employees and patrons. Indoor dining will be allowed to continue in restaurants. In restaurants that require proof of vaccination for everyone (staff and patrons), masks do not need to be worn. If a vaccine is not required for everyone that enters a restaurant, masks are to be worn by all patrons and staff the entire time while not seated and eating or drinking. Masks are required at all non-seated outdoor events in the City with more than 1,000 attendees.

In the City, there have been 175,007 confirmed cases of COVID-19, resulting in 3,883 deaths (as of October 4, 2021). While the overall risk of COVID-19 transmission in the City remains high, cases in the City have begun to abate. The approval by the United States Food and Drug Administration of vaccines from three manufacturers for general use and the City's high vaccination rate are expected to help limit the duration of the COVID-19 pandemic. In the City, vaccine distribution for frontline healthcare workers began in mid-January 2021. Over the next several months, Philadelphians had access to the COVID-19 vaccinations based on a phased schedule of priority populations informed by guidance from the Centers for Disease Control and Prevention. Currently, all Philadelphians 12 years of age and older are eligible to receive the COVID-19 vaccinations at 250 locations across the City. As of October 4, 2021, the City Health Department reports more than 936,100 fully vaccinated Philadelphians (approximately 70%) and more than 205,050 partially vaccinated Philadelphians (together with fully vaccinated, approximately 85%). For more information on the City's response to COVID-19, including the phased distribution of the COVID-19 vaccines, see https://www.phila.gov/programs/coronavirus-disease-2019-covid-19/. Such website is included herein for reference only and the information contained therein is not incorporated by reference in this Official Statement.

In response to increased expenses related to COVID-19, various federal, state, and local recovery grants have become available to the City, including recovery grants under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and the American Rescue Plan Act of 2021 (the "American Rescue Plan"). The CARES Act and the American Rescue Plan include substantial federal relief funds for state and local governments, including the City, to address the impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. The funds include the $276 million Coronavirus Relief Fund (via the CARES Act) and the $1.395 billion Coronavirus Local Fiscal Recovery Fund (via the American Rescue Plan), which represent the two largest allocations made to the City. The City expects to receive the Coronavirus Local Fiscal Recovery Funds under the American Rescue Plan in two tranches. The first half was received in June 2021 and the second half is expected to be received in the fourth quarter of Fiscal Year 2022.

To oversee the management of COVID-19 recovery grants, the City formed a Recovery Office and Steering Committee, comprised of representatives from various City offices and departments, including the Mayor's Office, the Office of the Managing Director, Finance, Commerce, and Planning and Development, among others. In determining how such funds are allocated, the Recovery Office and Steering Committee has identified three key themes to drive investments: (i) protecting public health and safety, (ii) protecting vulnerable residents, and (iii) economic recovery. Federal, state, and local funding has been secured for businesses and individuals impacted by the pandemic. Recovery funds have also been used for a number of initiatives aimed at supporting vulnerable populations, including (a) establishing meal distribution sites throughout the City, (b) providing digital access for children learning remotely, (c) providing non-congregate sheltering for those who are high-risk for COVID-19, and (d) supporting safety and social distancing within the City's shelter system.

Fiscal Impact. The City continues to closely monitor and assess the effects of the COVID-19 pandemic and its economic, operating, financial, and budgetary impact on the City. Such impact is significant, but cannot be fully quantified at this time. As a result of revenue losses and increases in expenses relating to COVID-19 and the ensuing economic downturn, the City identified a $749 million budgetary gap for Fiscal Year 2021 that was addressed in the Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan through reductions to planned spending, reduced reserve levels, and increased tax rates and fee adjustments.

The Fiscal Year 2021 Adopted Budget, the Twenty-Ninth Five-Year Plan, the Fiscal Year 2022 Adopted Budget, the Thirtieth Five-Year Plan, and the FY 2021 Fourth Quarter QCMR, as applicable, reflect the sudden, dramatic increases in service demands, unanticipated costs, and economic conditions as a result of the COVID-19 global pandemic and the City's associated response.

While the City continues to be significantly impacted by COVID-19, the City expects revenues to increase in Fiscal Year 2022 as compared to the current estimates for Fiscal Year 2021, growing by as much as 14%. Such increase in revenues is largely due to drawing down on approximately $575 million in federal relief funding from the American Rescue Plan, which is expected to replace lost revenue to support core government services and pandemic response efforts. The Fiscal Year 2022 Adopted Budget projects that Fiscal Year 2022 will end with a cumulative adjusted year end General Fund balance of $86.5 million (not inclusive of $100 million in the Labor Reserve and the Reopening and Recession Reserve as described below in "– Budgeted Reserves"). However, revenues over the course of the Thirtieth Five-Year Plan are projected to be less than the revenue projections included in the Twenty-Ninth Five-Year Plan. Over the course of the Thirtieth Five-Year Plan, the City has identified a projected $1.5 billion budgetary gap that is expected to be addressed, in part, by available federal relief funding from the American Rescue Plan (which, as described above, totals $1.395 billion). The City could also modify its proposed draw down schedule of such federal relief funding, if necessary, in order to have an additional cushion in Fiscal Years 2022-2024 if revenues are lower than anticipated. The federal relief funding from the American Rescue Plan alone will not be sufficient to close the projected budgetary gap and, as a result, the City also expects to implement spending reductions in Fiscal Years 2022-2026. Notwithstanding the foregoing, the City projects in the Thirtieth Five-Year Plan that it will end Fiscal Years 2022-2026 with positive General Fund balances.

For more information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2021-2026, see "DISCUSSION OF FINANCIAL OPERATIONS" and Tables 1 and 2 (and the text following Table 2) herein. For more information on the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, see "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information – Fiscal Year 2022 Adopted Budget and Thirtieth Five-Year Plan."

Revenues. As a result of the COVID-19 pandemic, the City has seen an immediate impact on certain revenue sources, resulting in projected revenues of $4.615 billion in Fiscal Year 2021 (based on the current estimate included in the FY 2021 Fourth Quarter QCMR), a $218.3 million (4.5%) decrease compared to Fiscal Year 2020, which included one quarter of revenue losses from the pandemic. For Fiscal Year 2022, the City is projecting revenues of $5.257 billion in Fiscal Year 2022 (based on the Fiscal Year 2022 Adopted Budget), a $642.0 million (13.9%) increase compared to the current estimate for Fiscal Year 2021.

For Fiscal Year 2021, the City is currently projecting a decline in various components of its tax base, including decreases in Wage and Earnings Taxes, Real Estate Taxes, Real Property Transfer Taxes, Sales and Use Taxes, and Business Income and Receipts Taxes ("BIRT"), resulting in projected tax collections of $3.284 billion in Fiscal Year 2021 (based on the current estimate included in the FY 2021 Fourth Quarter QCMR), a $271.9 million (7.6%) decrease compared to Fiscal Year 2020.

For Fiscal Year 2022, the City is currently projecting a decline in tax collections, including decreases in Wage and Earnings Taxes, Real Estate Taxes, Real Property Transfer Taxes, Sales and Use Taxes, and BIRT, resulting in projected tax collections of $3.418 billion in Fiscal Year 2022 (based on the Fiscal Year 2022 Adopted Budget), a $133.8 million (4.1%) increase compared to the current estimate for Fiscal Year 2021.

The impact on Wage and Earnings Taxes is compounded because commuters account for about 40% for all Wage and Earnings Taxes. Such tax is not due when those commuters are required to work from home outside the City and may also lead to an increase in tax credit eligibility for such remote workers. If there are more long-term or permanent shifts to work from home, changes in consumer preferences, and population shifts, then there may be a greater and lasting negative impact on City finances. In the Thirtieth Five-Year Plan, the City assumes a reduced non-resident tax base, as a result of remote work arrangements. This could create a permanent reduction in Wage and Earnings Tax collections. Current projections assume 15% of the non-resident portion of the Wage and Earnings Taxes will not be collected over the course of the Thirtieth Five-Year Plan. In Fiscal Year 2020, the non-resident portion of the Wage and Earnings Taxes was approximately 13% of General Fund total revenue. The City is also projecting reductions in amusement and hotel taxes, among other tax base impacts.

For information on the budgeted amounts and current estimates for tax revenues for Fiscal Year 2021 and the budgeted amounts for Fiscal Year 2022, see "– Fiscal Health of the City – Tax Revenues" and "REVENUES OF THE CITY" and Table 3 herein.

Expenses. The City is projecting higher costs for essential services and increased fixed costs, including overtime and other added labor costs and higher pension payments. With tax filing and payment deadlines delayed in calendar year 2020, the City also expected lower near-term collections and issued tax and revenue anticipation notes in Fiscal Year 2021 to maintain cash flow (see "OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings"). The City does not expect to issue tax and revenue anticipation notes in Fiscal Year 2022.

In Fiscal Years 2020 and 2021, the City incurred significant new expenses for healthcare to reduce the spread of COVID-19 and treat those affected, including labor costs and expenses for testing sites and supplies, quarantine locations and services, surge hospital capacity, medical vehicles, personal protective equipment, disinfectant/cleaning supplies, morgue capacity, business supports, and vaccination rollout and administration. In addition to ongoing pandemic-related expenses, the City incurred additional expenses relating to certain unplanned events in Fiscal Year 2021 that stressed operations and the local economy.

The Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan include CARES Act funding for Fiscal Years 2020 and 2021 in the amounts of $100 million in the General Fund and $176 million in the Grants Revenue Fund, respectively. Such amounts were available to be transferred periodically from the Grants Revenue Fund to the General Fund to reimburse for COVID-19-related costs, including transfers of $76 million in Fiscal Year 2021. The Thirtieth Five-Year Plan also includes transfers of $26 million in Fiscal Year 2021 from available federal COVID-19 relief funding from the American Rescue Plan. In addition, the Fiscal Year 2022 Adopted Budget includes approximately $575 million in federal COVID-19 relief funding from the American Rescue Plan.

As described above, federal COVID-19 relief funding available to the City from the CARES Act and the American Rescue Plan have been included in the Fiscal Year 2021 Adopted Budget, the Twenty-Ninth Five-Year Plan, the Fiscal Year 2022 Adopted Budget, and the Thirtieth Five-Year Plan, as applicable. The City does not include potential federal stimulus funding entitlements, reimbursements from the Federal Emergency Management Agency ("FEMA"), or funds from other federal or Commonwealth sources that may be received in its budgetary projections or five-year financial planning.

Budget Measures. The projected revenue losses and increases in expenses described above are expected to be addressed with reductions to planned spending, reduced reserve levels, and federal COVID-19 relief funding from the American Rescue Plan.

In prior Fiscal Years, the City implemented measures to reduce spending, including (i) a hiring freeze, (ii) layoffs for temporary, seasonal, and part-time workforce, (iii) temporary pay cuts, (iv) containing labor costs with the City's unions, (v) reducing certain overtime expenses, and (vi) eliminating vacant positions, among others. While most of these of measures were discontinued for the Fiscal Year 2022 Adopted Budget, the City continues to emphasize overtime management and containing labor costs. The other key budget priorities for Fiscal Year 2022 include achieving fiscal stability and continuing to work toward a safer and more equitable Philadelphia.

The Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan include budgeted reserves for specific costs or scenarios in the future. Over the course of the Thirtieth Five-Year Plan, the City has reduced the projected overall reserve allocations to make a portion of those funds available for the delivery of services, while maintaining a minimum level of reserve balances to guard against greater than expected revenue losses or new spending pressures. For information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2021-2026, see "– General Fund Balance" and "DISCUSSION OF FINANCIAL OPERATIONS" and Tables 1 and 2 (and the text following Table 2) herein. For information on budgeted reserves, see "– Budgeted Reserves" and "DISCUSSION OF FINANCIAL OPERATIONS," Table 1, Table 2, and related footnotes herein.

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

Long-Term Effects of COVID-19. The City continues to closely monitor and assess the effects of the COVID-19 pandemic and its impact on the City's financial position and operations. The overall impact on City revenues, expenditures, reserves, budgets, and financial position has been significant. The full fiscal impact of COVID-19 on the City may change significantly as the situation further develops and is expected to impact various economic sectors throughout the City, including higher education, healthcare, travel, leisure and hospitality, and professional services, among others. The long-term impact of COVID-19 on the City will depend heavily on future events and actions by the federal and Commonwealth governments, as well as other nations around the world. No assurance can be given regarding future events or impacts because many actions and events are unpredictable, unknowable at this time, and outside the control of the City.

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

General Fund Balance: In the Fiscal Year 2021 Adopted Budget, the City projected that Fiscal Year 2020 would end with a cumulative adjusted year end General Fund balance of $254.9 million. Based on the actual results included in the City's audited Annual Comprehensive Financial Report for Fiscal Year 2020 (the "Fiscal Year 2020 ACFR"), the City reported that Fiscal Year 2020 ended with a cumulative adjusted year end General Fund balance of $290.7 million. Such number has been included as part of the current estimate for Fiscal Year 2021 in the FY 2021 Fourth Quarter QCMR. The City's current estimate is that Fiscal Year 2021 will end with a cumulative adjusted year end General Fund balance of $78.7 million, which at 1.60% of planned expenditures is below the Mayor's target for the General Fund balance of 6-8% of expenditures and below the Government Finance Officers Association ("GFOA") recommendation of 17% of revenues or expenditures.

As noted above, the City projects in the Fiscal Year 2022 Adopted Budget that such Fiscal Year will end with a cumulative adjusted year end General Fund balance of $86.5 million (1.64% of planned expenditures). For more information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2021-2026, see "DISCUSSION OF FINANCIAL OPERATIONS" and Tables 1 and 2 (and the text following Table 2) herein.

Budget Stabilization Reserve: To provide the City with a financial cushion should unexpected costs arise, the City made a deposit of $34.3 million to the Budget Stabilization Reserve (as defined herein), pursuant to the adopted budget for Fiscal Year 2020. Pursuant to the Fiscal Year 2021 Adopted Budget, the City drew down on such funds and redirected them to spending. At present, there are no funds in the Budget Stabilization Reserve.

The Fiscal Year 2021 Adopted Budget and the Thirtieth Five-Year Plan do not include any payment to the Budget Stabilization Reserve in Fiscal Year 2021. The Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan do not include any additional payments to the Budget Stabilization Reserve in Fiscal Years 2022-2026. For more information on the Budget Stabilization Reserve, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Stabilization Reserve" herein.

Budgeted Reserves: The Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable, include budgeted reserves, certain of which are described below.

Labor Reserve. In light of the COVID-19 global pandemic, the City and all of its unions reached one-year agreements to extend contract terms through June 30, 2021. Such agreements have expired and the City and the unions are in the process of negotiating longer-term bargaining agreements. For more information on the current status of the City's labor contracts, see "EXPENDITURES OF THE CITY – Overview of City Employees" herein.

The Thirtieth Five-Year Plan includes a labor reserve for potential future labor cost increases (the "Labor Reserve").

Reopening and Recession Reserve. To mitigate against the fiscal impact of the national and local economic recession and the costs of reopening efforts related to COVID-19, the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable, include a reopening and recession reserve to address related expenses (the "Reopening and Recession Reserve").

In the Fiscal Year 2022 Adopted Budget, the Thirtieth Five-Year Plan, or the FY 2021 Fourth Quarter QCMR, as applicable, the City projects that the Labor Reserve and the Reopening and Recession Reserve will total approximately (i) $0.0 million in Fiscal Year 2021 (current estimate), (ii) $100.0 million in Fiscal Year 2022, (iii) $110.0 million in Fiscal Year 2023, (iv) $65.0 million in Fiscal Year 2024, (v) $75.0 million in Fiscal Year 2025, and (vi) $75.0 million in Fiscal Year 2026. Such projected reserves are likely to be adjusted in a revised five-year plan as a result of the City's new labor contracts, which are described in "EXPENDITURES OF THE CITY – Overview of City Employees" herein.

For the foregoing reserves, any portion of such reserves that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes. Information related to the foregoing reserves can be found in Tables 1 and 2 and the related footnotes in "DISCUSSION OF FINANCIAL OPERATIONS."

<u>Tax Revenues</u>: More than 70% of the City's revenues come from local taxes and more than 89% of tax revenues come from just four taxes: Wage and Earnings Taxes, Real Estate Taxes, BIRT, and Real Property Transfer Taxes. The largest portion of these tax revenues, more than 42%, comes from the Wage and Earnings Tax (see Table 3 and "REVENUES OF THE CITY – Wage, Earnings, and Net Profits Taxes" herein). Approximately 40% of the Wage and Earnings Tax is paid by non-resident workers. Additionally, the City remains unique among the nation's largest cities in that it imposes a tax on both corporate profits and revenue through the BIRT, which is projected to generate 15.7% of the City's local tax revenue in Fiscal Year 2021 (based on the FY 2021 Fourth Quarter QCMR) and 15.2% of the City's local tax revenue in Fiscal Year 2022 (based on the Fiscal Year 2022 Adopted Budget). See "REVENUES OF THE CITY" and Table 3 herein.

<u>High Fixed Costs</u>: The City's high fixed costs consume a significant portion of the City's budget. The largest of such costs is the City's payment to the Municipal Pension Fund. Based on the current estimate in the FY 2021 Fourth Quarter QCMR, pension costs are expected to consume approximately 13.5% of General Fund expenditures in Fiscal Year 2021, with a City pension cost of approximately $665.2 million (from the General Fund). Based on the Fiscal Year 2022 Adopted Budget, pension costs are expected to consume approximately 14.7% of General Fund expenditures in Fiscal Year 2022, with a City pension cost of approximately $774.6 million (from the General Fund). Even with such payments, the Municipal Pension Fund is only 51.9% funded on an actuarial basis (as of the July 1, 2020 Valuation (as defined herein)). See "PENSION SYSTEM" and Table 27 herein.

In Fiscal Year 2021, the City refunded a portion of its outstanding pension obligation bonds. Such refunding restructured debt service to provide the City with General Fund budgetary relief in Fiscal Year 2021 ($74.9 million) and Fiscal Year 2022 ($19 million). Such amounts would otherwise be included in pension expenditures for such Fiscal Years. See "PENSION SYSTEM – Annual Contributions – *Annual Debt Service Payments on the Pension Bonds*."

<u>Increased Funding for the School District</u>: In the Fiscal Year 2020 ACFR, the City reported that its direct contribution to the School District of Philadelphia (the "School District") from the General Fund was $227.1 million in Fiscal Year 2020. In the Fiscal Year 2021 Adopted Budget, the City's direct contribution to the School District from the General Fund was $252.6 million in Fiscal Year 2021, which amount is unchanged as the current estimate in the FY 2021 Fourth Quarter QCMR. In the Fiscal Year 2022 Adopted Budget, the City's direct contribution to the School District from the General Fund is $256.0 million in Fiscal Year 2022. The School District is an independent governmental entity.

For more information on the School District, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – Mayoral-Appointed or Nominated Agencies – The

School District." For more information on the City's historical contributions to the School District, see "EXPENDITURES OF THE CITY – City Payments to School District" and Table 21 herein.

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

THE GOVERNMENT OF THE CITY OF PHILADELPHIA

Introduction

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

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

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

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

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

History and Organization

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

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

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

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

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

Elected and Appointed Officials

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

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

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

Intergovernmental Cooperation Authority ("PICA") on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

Under the City Charter, the principal officers of the City's government are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), the City Solicitor (the "City Solicitor"), the Director of Commerce (the "Director of Commerce"), the City Representative (the "City Representative"), and the Director of Planning and Development (the "Director of Planning and Development"). Under the City Charter, the Mayor appoints the Managing Director, the Director of Finance, the Director of Commerce, the City Representative, and the Director of Planning and Development. The Mayor, with the advice and consent of a majority of City Council, also appoints the City Solicitor.

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

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

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

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

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

James Engler, Chief of Staff. Mr. Engler was appointed Chief of Staff effective August 10, 2018. Prior to that, Mr. Engler served as Deputy Mayor for Policy and Legislation since January 2016. In that role, Mr. Engler served as a senior liaison between the Mayor's Office and City Council and was responsible for developing administration policy priorities and working with stakeholders inside and outside of government to advance those goals.

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

Jacqueline Dunn, City Treasurer. On February 11, 2021, Ms. Dunn was appointed City Treasurer. Prior to such appointment, Ms. Dunn served as Acting City Treasurer since September 25, 2020, and prior to that, she served as Deputy City Treasurer since July 2019. As City Treasurer, Ms. Dunn (i) oversees the issuance of all notes and bonds on behalf of the City's General Fund and Enterprise Funds used to finance capital projects, (ii) manages cash collections and cash resources in the City Treasury, and (iii) serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury. Ms. Dunn also serves as the Director of Finance's designee on the Philadelphia Board of Pensions and Retirement and as a board member for the Philadelphia Municipal Authority ("PMA"). In 2014, Ms. Dunn joined the City as an Assistant Finance Director in the Finance Department. In 2016, she was appointed Chief of Staff to the Director of Finance. Prior to joining the City, Ms. Dunn worked for Public Financial Management and the Annenberg Public Policy Center. She has a master's degree in Governmental Administration and a bachelor's degree in Political Science, both from the University of Pennsylvania.

Prior City Treasurer. On September 25, 2020, the prior City Treasurer was terminated by the City immediately following his indictment on federal criminal charges of immigration fraud and embezzlement for activities occurring prior to his employment with the City. The City's Inspector General conducted a review of the City Treasurer's Office covering the period of the prior City Treasurer's employment with the City. Such review did not identify any evidence related to the initial federal criminal charges. A superseding indictment, filed some months after the prior City Treasurer's termination, added federal income tax charges concerning several years of personal income tax filings. Such personal federal income tax charges were not the subject of the Inspector General's review.

To safeguard City funds and prevent misappropriation, the City Treasurer's Office has in place controls and separation of duties protocols that govern its work and employees. Following the prior City Treasurer's departure, the City Treasurer's Office also conducted an internal review of its financial, investment, and accounting functions and procedures covering the period of the prior City Treasurer's employment with the City. The City Treasurer's Office has adopted certain additional measures to further strengthen its existing protocols and expects to continue to implement strategies to improve the operations of the office.

Separately, the City Controller's Office opened an investigation of the City Treasurer's Office regarding four accounts used by the Department of Public Health and Office of Emergency Management for COVID-19 emergency expenses, which focused on whether such accounts had been properly processed through the City's financial accounting system ("FAMIS"). The City Controller ordered that payments outside of FAMIS stop immediately. The investigation by the City Controller's Office has determined that payments in connection with such accounts that occurred outside of FAMIS totaled $225,000. The City Treasurer's Office is cooperating with this investigation.

Government Services

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

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

Local Government Agencies

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

Mayoral-Appointed or Nominated Agencies

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

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

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

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

Philadelphia Land Bank. The Philadelphia Land Bank (the "PLB") is an independent agency formed under the authority of City ordinance and Pennsylvania law to return vacant and tax delinquent properties to productive reuse. The PLB has an 11-member board of directors, of which five are appointed by the Mayor and five are appointed by City Council. The final board member is appointed by a majority vote of the other board members. For more information on the PLB, see APPENDIX B – "ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – City and Quasi-City Economic Development Agencies and Related Programs – Philadelphia Land Bank."

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

Hospitals and Higher Education Facilities Authority of Philadelphia. The Hospitals and Higher Education Facilities Authority of Philadelphia (the "Hospitals Authority") assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority also permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes. The Hospitals Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

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

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

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

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

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

The School District is part of the Commonwealth system of public education. In a number of matters, including the incurrence of short-term and long-term debt, the School District is governed by the separate statutes of the Commonwealth. The School District is a separate political subdivision of the Commonwealth, and the City has no property interest in or claim on any revenues or property of the School District.

In the Fiscal Year 2020 ACFR, the City reported that its direct contribution to the School District from the General Fund was $227.1 million in Fiscal Year 2020. In the Fiscal Year 2021 Adopted Budget, the City's direct contribution to the School District from the General Fund is $252.6 million in Fiscal Year 2021, which amount is unchanged as the current estimate in the FY 2021 Fourth Quarter QCMR. In the Fiscal Year 2022 Adopted Budget, the City's direct contribution to the School District from the General Fund is $256.0 million in Fiscal Year 2022. Such amounts do not include funding from taxes levied by the School District and authorized by City Council. For more information on the City's historical contributions to the School District, see "EXPENDITURES OF THE CITY – City Payments to School District" and Table 21.

Non-Mayoral-Appointed or Nominated Agencies

PICA. PICA was created by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act") in 1991 to provide financial assistance to cities of the first class, and it continues in existence for a period not exceeding one year after all of its liabilities, including the

PICA Bonds (as defined herein), have been fully paid and discharged. The City is the only city of the first class in the Commonwealth. The Governor, the President pro tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives, and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member of PICA's board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA's board with no voting rights.

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

Under the PICA Act and for so long as any PICA Bonds are outstanding, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports, each as further described below under "DISCUSSION OF FINANCIAL OPERATIONS – Five-Year Plans of the City" and "– Quarterly Reporting to PICA." Under the PICA Act, at such time when no PICA Bonds are outstanding, the City will no longer be required to prepare such annual five-year financial plans or quarterly reports or otherwise be subject to PICA oversight. As of August 31, 2021, the principal amount of PICA Bonds outstanding was $33,955,000. The final maturity date for such PICA Bonds is June 15, 2023. The City has expressed support for retaining financial oversight and reporting requirements once the PICA Bonds mature, which would require the continued preparation of annual five-year financial plans and quarterly reports. A bill was introduced in the House of Representatives of Pennsylvania on September 29, 2021 ("House Bill 1935") that would amend the PICA Act to, among other things, (i) extend the term of existence of PICA until the later of January 2, 2047 or one year after all its liabilities are met or, in the case of PICA bonds, one year after provision for such payment shall have been made or provided for in the applicable bond indenture; (ii) continue all of the financial oversight and reporting requirements of the PICA Act for the life of PICA whether Bonds are outstanding or not; (iii) permit on a limited basis, at the request of the City, the issuance of PICA Bonds for capital projects of the City; and (iv) continue the authorization and dedication of the PICA Tax for so long as PICA remains in existence (including when PICA bonds are no longer outstanding). No assurance can be given as to whether House Bill 1935 will be passed as introduced by either or both houses of the General Assembly, or signed or vetoed by the Governor. For more information on PICA Bonds, see "DEBT OF THE CITY – PICA Bonds." The financial and oversight functions of PICA described in the next paragraph would all be continued if House Bill 1935, in its current form, were to be enacted into law.

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

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

Cybersecurity

The City relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private, and sensitive information, the City and its departments and offices face multiple cyber threats including, but not limited to, hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems. In recent years, various cyber incidents have occurred that resulted in proactive remediation and quarantining of computer hardware and networks. The impact of such incidents was reduced as a result of the City's cyber policies and procedures.

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

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

While the City closely monitors its networks and conducts periodic tests and reviews thereof, no assurances can be given that such security and operational control measures will be successful in guarding against all future cyber threats and attacks. New technical cyber vulnerabilities are discovered in the United States daily. In addition, cyber attacks have become more sophisticated and increasingly are capable of impacting municipal control systems and components. The techniques used to obtain unauthorized access to, or to disable or degrade, electronic networks, computers, systems and solutions are rapidly evolving and have become increasingly complex and sophisticated. In addition, there is heightened risk due to an increase in remote access to City systems by City employees as a result of the outbreak of COVID-19. As cybersecurity threats continue to evolve, the City may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks. The results of any successful attack on the City's computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs of remedying any such damage could be substantial.

Climate Change

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

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

Under the mid-century (2050) and end-of-century (2100) analyses, the City projects that it will experience a greater frequency of heavy and extremely heavy precipitation events, with the largest increase occurring in precipitation that falls during winter months. Heavy precipitation and flooding can be caused by a variety of weather systems, including tropical storms and hurricanes, thunderstorms, and frontal activity. When these heavy precipitation events fall as rain, they often exceed the capacity of the City's storm sewer infrastructure; when they fall as snow, they require many City resources to manage. Some of these projections are already becoming a reality, as the City has experienced an increase in the intensity and frequency of storm events over the last decade, which has on occasion resulted in significant flooding.

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

As an example of the City's possible susceptibility to flooding from major storms or rising sea levels, on September 1, 2021, remnants of Hurricane Ida passed through the City and surrounding areas causing heavy rainfall, major flooding, and numerous tornadoes. The Schuylkill River rose to record levels, or near record levels, in various areas and caused flooding throughout parts of the City. While the City continues to evaluate the scope and costs of the damages caused by the storm, preliminary evaluations indicate that the City suffered at least $27 million in damages to date. The City will seek federal relief funding and other aid from the Commonwealth to offset costs the City may incur in addressing the damages from the storm.

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

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

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

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

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

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

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

CITY FINANCES AND FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the Fiscal Year 2020 ACFR and notes therein. The Fiscal Year 2020 ACFR was prepared by the Office of the Director of Finance in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units and audited by the City Controller under Generally Accepted Auditing Standards.

General

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

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

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

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

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

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

- The Grants Revenue Fund accounts for the resources received from various federal, Commonwealth, and private grantor agencies, including those received by the City's Department of Human Services ("DHS"). The resources are restricted to accomplishing the various objectives of the grantor agencies.

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

The City reports on the following fiduciary funds:

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

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

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

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

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

The City reports on the following major proprietary funds:

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

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

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

Current City Disclosure Practices

It is the City's practice to file its ACFR, which contains the audited combined financial statements of the City, in addition to certain other information, such as the City's bond ratings and information about upcoming debt issuances, with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such information. For bonds issued in calendar year 2015 and thereafter, the annual filing deadline is February 28; for bonds issued prior to calendar year 2015, the annual filing deadline is 240 days after the end of the respective Fiscal Year, being February 25. The Fiscal Year 2020 ACFR was filed with the MSRB on February 25, 2021, through the MSRB's Electronic Municipal Market Access ("EMMA") system. The Fiscal Year 2020 ACFR is attached hereto as APPENDIX C.

A wide variety of information concerning the City is available from publications and websites of the City and others, including the City's investor information website at http://www.phila.gov/investor (the "City's Investor Website"). Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2020 ACFR. The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the basic financial statements of the City in the Fiscal Year 2020 ACFR.

Budgetary Accounting Practices

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

The operating funds of the City, consisting of the General Fund, nine (9) Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, Health Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Housing Trust, and Acute Care Hospital Assessment) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: (i) personal services; (ii) purchase of services; (iii) materials and supplies; (iv) equipment; (v) contributions, indemnities, and taxes; (vi) debt service; (vii) payments to other funds; and (viii) advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have City Council approval. Appropriations that are not expended or encumbered at Fiscal Year-end are lapsed.

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

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

DISCUSSION OF FINANCIAL OPERATIONS

Principal Operations

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

Fund Accounting

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

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

The City maintains 22 individual governmental funds. The City's ACFRs, including the Fiscal Year 2020 ACFR, present data separately for the General Fund, Grants Revenue Fund, and Health Choices Behavioral Health Fund, which are considered to be major funds. Data for the remaining 19 funds are combined into a single aggregated presentation.

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

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's ACFRs, including the Fiscal Year 2020 ACFR, as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

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

Budget Procedure

The City Charter provides that, at least 90 days before the end of the Fiscal Year, the operating budget for the next Fiscal Year is prepared by the Mayor and submitted to City Council for adoption. The budget, as adopted, must be balanced and provide for discharging any estimated deficit from the current Fiscal Year and make appropriations for all items to be funded with City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and projection of surplus or deficit for the current Fiscal Year may not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget. While the City Charter requires the Mayor to submit the operating budget for the next Fiscal Year to City Council at least 90 days before the end of the Fiscal Year, such submissions have occasionally been submitted after such deadline. For example, the Mayor submitted the proposed Fiscal Year 2022 operating budget to City Council on April 15, 2021, along with the City's proposed five-year plan for Fiscal Years 2022-2026. Such submission was after the 90-day deadline described above. There is no practical consequence to submitting the proposed budget after the 90-day deadline in the City Charter.

The City Charter provides that, at least 30 days before the end of the Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing Fiscal Years. If the Mayor disapproves the bills, he must return them to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives such bills. If the Mayor does not return the bills within the time required, they become law without his approval. If City Council passes the bills by a vote of two-thirds of all of its members within seven days after the bills have been returned with the Mayor's disapproval, they become law without his approval. While the City Charter requires that City Council adopt the ordinances for the operating and capital budgets at least 30 days before the end of the Fiscal Year, in practice, such ordinances are often adopted after such deadline, but before the end of such Fiscal Year. For example, the Fiscal Year 2022 Adopted Budget was presented to City Council on April 15, 2021, approved by City Council on June 24, 2021, and signed by the Mayor on June 28, 2021. There is no practical consequence to adopting the budget ordinances after the deadline in the City Charter, but before the end of the Fiscal Year.

The capital program is prepared annually by the Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, federal, and private) estimated to be required to finance each project. The capital improvement plans for the Water Department and the Division of Aviation are included in the City's capital program. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. The Capital Program ordinance for Fiscal Years 2022-2027 (the "Fiscal Year 2022-2027 Adopted Capital Program") was approved by City Council on June 24, 2021, and signed by the Mayor on June 28, 2021 (see Table 48).

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

For information on the Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan, see "– Current Financial Information – Fiscal Year 2021 Adopted Budget and Twenty-Ninth Five-Year Plan" herein. For information on the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, see "– Current Financial Information – Fiscal Year 2022 Adopted Budget and Thirtieth Five-Year Plan" herein. For information on the City's capital program, see "CITY CAPITAL PROGRAM" herein.

Budget Stabilization Reserve

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

Withdrawals from the Budget Stabilization Reserve are permitted only upon (i) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve and only for the purposes set forth in such transfer ordinance and (ii) either (1) a certification by the Director of Finance that General Fund revenues actually received by the City during the prior Fiscal Year were at least one percent less than the General Fund revenues set forth in the Mayor's estimate of receipts, or (2) a certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents, and that it would be fiscally imprudent to seek emergency appropriations pursuant to the City Charter. Any such certification must be approved either by a resolution adopted by two-thirds of all of the members of City Council or an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City. For information on the withdrawal from the Budget Stabilization Reserve for Fiscal Year 2021, see "OVERVIEW – Fiscal Health of the City – Budget Stabilization Reserve."

The Fiscal Year 2021 Adopted Budget and the Thirtieth Five-Year Plan do not include any payment to the Budget Stabilization Reserve in Fiscal Year 2021. The Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan do not include any additional payments to the Budget Stabilization Reserve in Fiscal Years 2022-2026.

Annual Financial Reports

The City is required by the City Charter to issue, within 120 days after the close of each Fiscal Year, a statement as of the end of the Fiscal Year showing the balances in all funds of the City, the amounts of the City's known liabilities, and such other information as is necessary to furnish a true picture of the City's financial condition (the "Annual Financial Reports"). The Annual Financial Reports, which are released on or about October 28 of each year, are intended to meet these requirements and are unaudited. As described above, the audited financial statements of the City are contained in its ACFR, which is published at a later date. The Annual Financial Reports contain financial statements for all City governmental funds and blended component units presented on the modified accrual basis. The proprietary and fiduciary funds are presented on the full accrual basis. They also contain budgetary comparison schedules for those funds that are subject to an annual budget. The financial statements of the City's discretely presented component units that are available as of the date of the Annual Financial Reports are also presented. Historically, the results for General Fund balance have not materially changed between the Annual Financial Reports and the ACFRs.

The Annual Financial Report for Fiscal Year 2020 was released on October 28, 2020. As noted herein, the Fiscal Year 2020 ACFR was filed with the MSRB on February 25, 2021, through the EMMA system. See "CITY FINANCES AND FINANCIAL PROCEDURES – Current City Disclosure Practices."

Five-Year Plans of the City

The PICA Act requires the City to annually prepare a financial plan that includes projected revenues and expenditures of the principal operating funds of the City for five Fiscal Years consisting of the current Fiscal Year and the subsequent four Fiscal Years. Each five-year plan, which must be approved by PICA, is required, among other things, to eliminate any projected deficits, balance the Fiscal Year budgets, and provide procedures to avoid fiscal emergencies. Under the PICA Act, each five-year plan is required to be submitted at least 100 days prior to the beginning of the next Fiscal Year or on such other date as PICA may approve upon the request of the City. It is the City's practice to submit its five-year plans to PICA after City Council approves, and the Mayor signs, the operating budget ordinance for the next Fiscal Year, which is typically after the 100-day deadline. For example, on June 29, 2021, the City submitted the Thirtieth Five-Year Plan to PICA, after City Council approved, and the Mayor signed, the Fiscal Year 2022 Adopted Budget. PICA recommended approval of the Thirtieth Five-Year Plan on July 27, 2021. For information on recent five-year plans, see "– Current Financial Information – Fiscal Year 2021 Adopted Budget and Twenty-Ninth Five-Year Plan" and "– Current Financial Information – Fiscal Year 2022 Adopted Budget and Thirtieth Five-Year Plan" herein.

Quarterly Reporting to PICA

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

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

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

A failure by the City to explain or remedy a variance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under "DEBT OF THE CITY – PICA Bonds" below, otherwise payable to the City). The City uses its Quarterly City Manager's Reports to satisfy the quarterly reporting requirement to PICA. Such reports are released within 45 days following the end of the applicable quarter and the most recent versions of such reports are available on the City's Investor Website. The most recent Quarterly City Manager's Report is the report for the period ending June 30, 2021, which was released on August 16, 2021 (the "FY 2021 Fourth Quarter QCMR"). The next Quarterly City Manager's Report is the report for the period ending September 30, 2021, and it is expected to be released on or about November 15, 2021.

Summary of Operations

The following table presents the summary of operations for the General Fund for Fiscal Years 2018-2020, budgeted amounts and current estimates for Fiscal Year 2021, and budgeted amounts for Fiscal Year 2022. For a description of the legally enacted basis on which the City's budgetary process accounts for certain transactions, see "CITY FINANCES AND FINANCIAL PROCEDURES – Budgetary Accounting Practices." "Current Estimate," as used in the tables and text below, refers (except as otherwise indicated) to the most recently revised estimates for Fiscal Year 2021, which were released by the City on August 16, 2021, as part of the FY 2021 Fourth Quarter QCMR, unless otherwise noted herein.

Table 1
General Fund
Summary of Operations (Legal Basis)
Fiscal Years 2018-2020 (Actual), 2021 (Adopted Budget and Current Estimate), and 2022 (Adopted Budget)
(Amounts in Millions of USD)[(1), (2)]

	Actual 2018	Actual 2019	Actual 2020	Adopted Budget 2021 (June 26, 2020)	Current Estimate 2021 (August 16, 2021)	Adopted Budget 2022 (June 29, 2021)
Revenues						
Real Property Taxes	$650.4	$696.6	$699.1	$684.5	$712.3	$723.1
Wage and Earnings Tax	1,542.3	1,581.9	1,599.2	1,519.1	1,401.1	1,486.4
Net Profits Tax	32.3	35.8	29.2	29.9	24.7	30.4
Business Income and Receipts Tax	446.1	540.9	534.2	464.3	516.7	521.2
Sales Tax(3)	198.4	224.2	204.6	174.5	209.7	216.4
Other Taxes(4)	454.9	458.6	419.7	390.4	356.4	367.8
Philadelphia Beverage Tax(5)	77.4	76.9	69.9	67.4	63.0	72.5
Total Taxes	3,401.8	3,614.8	3,555.9	3,330.1	3,284.0	3,417.8
Locally Generated Non-Tax Revenue	320.6	349.1	365.1	357.9	337.2	364.4
Revenue from Other Governments						
Net PICA Taxes Remitted to the City(6)	454.2	493.6	495.9	470.6	462.7	490.8
Other Revenue from Other Governments(7)	323.9	311.1	362.6	297.6	381.6	338.3
Total Revenue from Other Governments	778.2	804.7	858.5	768.2	844.3	829.1
Receipts from Other City Funds	55.4	51.7	54.0	125.6(8)	149.7(8)	645.9(9)
Total Revenue	4,556.1	4,820.3	4,833.6	4,581.8	4,615.2	5,257.2
Obligations/Appropriations						
Personal Services	1,690.1	1,749.8	1,874.2	1,795.2	1,829.4	1,888.8
Purchase of Services(10)	891.1	915.5	1,016.8	948.6	1,016.1	1,094.5
Materials, Supplies and Equipment	102.2	113.3	125.6	117.3	139.5	118.8
Employee Benefits	1,314.0(11)	1,371.1(11)	1,363.4(11)	1,287.2(11)	1,302.2(11)	1,438.6(11)
Indemnities, Contributions, and Refunds(12)	195.2	279.8	342.5	378.7	379.3	386.8
City Debt Service(13)	148.8	159.8	159.2	185.7	185.7	192.7
Payments to Other City Funds	61.5	183.2(14)	154.8(8)	67.2	67.2	48.8
Advances & Miscellaneous Payments(15)	0.0	0.0	0.0	25.0(16)	0.0(16)	100.0(16)
Payment to Budget Stabilization Reserve	0.0	0.0	0.0(8)	0.0	0.0	0.0
Total Obligations/Appropriations	4,402.9	4,772.4	5,036.5	4,804.9	4,919.4	5,268.9
Operating Surplus (Deficit) for the Year	153.2	47.9	(202.9)	(223.1)	(304.1)	(11.7)
Net Adjustments – Prior Year(17)	26.3	22.0	54.9	19.5	92.2	19.5
Cumulative Fund Balance Prior Year	189.2	368.8	438.7	254.9(18)	290.7(18)	78.7
Cumulative Adjusted Year End Fund Balance (Deficit)	$368.8	$438.7	$290.7(18)	$51.4	$78.7	$86.5

(1) Sources: For Fiscal Years 2018-2020, the City's ACFRs for such Fiscal Years. For Fiscal Year 2021 (Adopted Budget), the Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan, as applicable. For Fiscal Year 2021 (Current Estimate), the FY 2021 Fourth Quarter QCMR. For Fiscal Year 2022 (Adopted Budget), the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable.

(2) Figures may not sum due to rounding.

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

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

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

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

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

(8) In Fiscal Year 2020, the City made a deposit of $34.3 million to the Budget Stabilization Reserve, which was shown as an expense in "Payment to the Budget Stabilization Reserve" until the publication of the Fiscal Year 2020 ACFR. In the Fiscal Year 2020 ACFR, such funds were shown as an expense in "Payments to Other City Funds." Pursuant to the Fiscal Year 2021 Adopted Budget, the City drew down on such funds and redirected them to spending. In the Fiscal Year 2021 Adopted Budget and the Thirtieth Five-Year Plan, such funds are shown as a revenue in "Receipts from Other City Funds."

(9) Includes approximately $575 million in federal COVID-19 relief funding from the American Rescue Plan.

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

(11) For Fiscal Year 2018, includes $24.2 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2019, includes $52.1 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2020, includes $42.7 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2021 (Adopted Budget), assumes $27.3 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2021 (Current Estimate), assumes $44.9 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2022 (Adopted Budget), assumes $48.2 million from such tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

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

(13) Includes debt service on General Obligation Debt (as defined herein) and, if issued and outstanding, interest on tax and revenue anticipation notes; excludes debt service on PICA Bonds and lease and service agreement financings.

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

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

(16) For Fiscal Year 2021 (Adopted Budget), includes $25.0 million in the Reopening and Recession Reserve. For Fiscal Year 2021 (Current Estimate), assumes the funds budgeted for the Reopening and Recession Reserve will not be used. For Fiscal Year 2022 (Adopted Budget), includes $25.0 million in the Labor Reserve and $75.0 million in the Reopening and Recession Reserve.

(17) "Net Adjustments – Prior Years" includes the cancellation of commitments from previous Fiscal Years during the current Fiscal Year. The Fiscal Year 2021 current estimate includes the liquidation of $47 million of pay-as-you-go capital encumbrances, as well as $22 million of planned contributions to the Municipal Pension Fund, each of which was obligated in Fiscal Year 2020.

(18) In its Fiscal Year 2021 Adopted Budget, the City projected that Fiscal Year 2020 would end with a General Fund balance of $254.9 million. In the Fiscal Year 2020 ACFR, the City reported that Fiscal Year 2020 ended with a General Fund balance of $290.7 million. Such number has been included as the "Cumulative Fund Balance Prior Year" in the FY 2021 Fourth Quarter QCMR.

Current Financial Information

Table 2 below shows General Fund balances for Fiscal Year 2020, budgeted amounts and current estimates for Fiscal Year 2021, and budgeted amounts for Fiscal Year 2022.

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

	Fiscal Year 2020 Actual[2] (June 30, 2020)	Fiscal Year 2021 Adopted Budget[2] (June 26, 2020)	Fiscal Year 2021 Current Estimate[2] (August 16, 2021)	Fiscal Year 2022 Adopted Budget[2] (June 29, 2021)
REVENUES				
Taxes	$3,555,945[3]	$3,330,098[3]	$3,283,999[3]	$3,417,808[3]
Locally Generated Non – Tax Revenues	365,113	357,890	337,175	364,391
Revenue from Other Governments	858,539	768,197	844,325	829,140
Revenues from Other Funds of City	53,995	125,608[4]	149,748[4]	645,906[5]
Total Revenue	**$4,833,592**	**$4,581,793**	**$4,615,247**	**$5,257,245**
OBLIGATIONS / APPROPRIATIONS				
Personal Services	$1,874,182	$1,795,159	$1,829,386	$1,888,766
Personal Services – Employee Benefits	1,363,379[6]	1,287,159[6]	1,302,161[6]	1,438,593[6]
Purchase of Services[7]	1,016,807	948,562	1,016,066	1,094,526
Materials, Supplies, and Equipment	125,643	117,304	139,544	118,809
Contributions, Indemnities, and Taxes	342,543	378,737	379,287	386,793
Debt Service[8]	159,227	185,714	185,714	192,667
Payments to Other Funds	154,753[4]	67,216	67,216	48,792
Advances & Miscellaneous Payments[9]	0	25,000[10]	0[10]	100,000[10]
Payment to Budget Stabilization Reserve	0[4]	0	0	0
Total Obligations / Appropriations	**$5,036,534**	**$4,804,851**	**$4,919,374**	**$5,268,946**
Operating Surplus (Deficit)	**(202,942)**	**(223,058)**	**(304,127)**	**(11,701)**
OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS				
Net Adjustments – Prior Years[11]	54,934	19,500	92,202	19,500
Operating Surplus/(Deficit) & Prior Year Adj.	(148,008)	(203,558)	(211,925)	7,799
Prior Year Fund Balance	438,680	254,908[12]	290,672[12]	78,748
Year End Fund Balance	**$290,672**[12]	**$51,350**	**$78,748**	**$86,547**

(1) Figures may not sum due to rounding.
(2) Sources: For Fiscal Year 2020, the Fiscal Year 2020 ACFR. For Fiscal Year 2021 Adopted Budget, the Fiscal Year 2021 Adopted Budget and the Twenty-Ninth Five-Year Plan, as applicable. For Fiscal Year 2021 Current Estimate, the FY 2021 Fourth Quarter QCMR. For Fiscal Year 2022 Adopted Budget, the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable.
(3) For Fiscal Year 2020, includes $69.9 million in revenue from the Philadelphia Beverage Tax. For Fiscal Year 2021 Adopted Budget, assumes $67.4 million in revenue from such tax. For Fiscal Year 2021 Current Estimate, assumes $63.0 million in revenue from such tax. For Fiscal Year 2022 Adopted Budget, assumes $72.5 million in revenue from such tax. The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.
(4) In Fiscal Year 2020, the City made a deposit of $34.3 million to the Budget Stabilization Reserve, which was shown as an expense in "Payment to the Budget Stabilization Reserve" until the publication of the Fiscal Year 2020 ACFR. In the Fiscal Year 2020 ACFR, such funds were shown as an expense in "Payments to Other Funds." Pursuant to the Fiscal Year 2021 Adopted Budget, the City drew down on such funds and redirected them to spending. In the Fiscal Year 2021 Adopted Budget and the Thirtieth Five-Year Plan, such funds are shown as a revenue in "Revenues from Other Funds of City."
(5) Includes approximately $575 million in federal COVID-19 relief funding from the American Rescue Plan.
(6) For Fiscal Year 2020, includes $42.7 million from City Sales Tax revenues for the Municipal Pension Fund. For Fiscal Year 2021 (Adopted Budget), assumes $27.3 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2021 (Current Estimate), assumes $44.9 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2022 (Adopted Budget), assumes $48.2 million from such tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(7) Includes debt service on lease and service agreement financings.
(8) Includes debt service on General Obligation Debt (as defined herein) and, if issued and outstanding, interest on tax and revenue anticipation notes; excludes debt service on PICA Bonds and lease and service agreement financings.
(9) Advances & Miscellaneous Payments includes certain budgeted reserves for a given Fiscal Year. Any portion of such reserves that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.
(10) For Fiscal Year 2021 (Adopted Budget), includes $25.0 million in the Reopening and Recession Reserve. For Fiscal Year 2021 (Current Estimate), assumes the funds budgeted for the Reopening and Recession Reserve will not be used. For Fiscal Year 2022 (Adopted Budget), includes $25.0 million in the Labor Reserve and $75.0 million in the Reopening and Recession Reserve.
(11) "Net Adjustments – Prior Years" includes the cancellation of commitments from previous Fiscal Years during the current Fiscal Year. The Fiscal Year 2021 current estimate includes the liquidation of $47 million of pay-as-you-go capital encumbrances, as well as $22 million of planned contributions to the Municipal Pension Fund, each of which was obligated in Fiscal Year 2020.
(12) In its Fiscal Year 2021 Adopted Budget, the City projected that Fiscal Year 2020 would end with a General Fund balance of $254.908 million. In the Fiscal Year 2020 ACFR, the City reported that Fiscal Year 2020 ended with a General Fund balance of $290.672 million. Such number has been included as the "Prior Year Fund Balance" in FY 2021 Fourth Quarter QCMR.

The following discussion of the Fiscal Year 2021 Adopted Budget, the Twenty-Ninth Five-Year Plan, the Fiscal Year 2022 Adopted Budget, the Thirtieth Five-Year Plan, and the FY 2021 Fourth Quarter QCMR, as applicable, is based, in part, on projections and forward-looking statements related to Fiscal Year 2021 and Fiscal Year 2022. No assurance can be given that the applicable budget estimates and forward-looking statements will be realized. The accuracy of such budget estimates and forward-looking statements cannot be verified until after the close of the applicable Fiscal Year and the completion of the related audit.

Fiscal Year 2021 Adopted Budget and Twenty-Ninth Five-Year Plan. The City's proposed Fiscal Year 2021 operating budget was submitted by the Mayor to City Council on March 5, 2020, along with the City's proposed five-year plan for Fiscal Years 2021-2025. Each of those documents was revised and resubmitted on May 1, 2020 to include the City's then-current assessment of the impact of the COVID-19 pandemic on the City's financial position and operations. On June 25, 2020, City Council approved the Fiscal Year 2021 operating budget ordinance, which was signed by the Mayor on June 26, 2020 (the "Fiscal Year 2021 Adopted Budget"). On June 26, 2020, the City submitted to PICA its FY 2021-2025 Five Year Financial Plan Per Council Approved Budget (the "Twenty-Ninth Five-Year Plan"). PICA recommended approval of such plan on July 21, 2020.

Fiscal Year 2021 Current Estimates. The current estimates for Fiscal Year 2021 are derived from information included in the FY 2021 Fourth Quarter QCMR. In the FY 2021 Fourth Quarter QCMR, the City estimates that it will end Fiscal Year 2021 with a General Fund balance (on the legally enacted basis) of approximately $78.7 million ($27.3 million higher than projected in the Fiscal Year 2021 Adopted Budget).

Fiscal Year 2022 Adopted Budget and Thirtieth Five-Year Plan. The City's proposed Fiscal Year 2022 operating budget was submitted by the Mayor to City Council on April 15, 2021, along with the City's proposed five-year plan for Fiscal Years 2022-2026. On June 25, 2021, City Council approved the Fiscal Year 2022 operating budget ordinance, which was signed by the Mayor on June 28, 2021 (the "Fiscal Year 2022 Adopted Budget").

On June 29, 2021, the City submitted to PICA its FY 2022-2026 Five Year Financial Plan (the "Thirtieth Five-Year Plan"). PICA recommended approval of such plan on July 27, 2021. PICA staff, in recommending that PICA approve the Thirtieth Five-Year Plan, noted that the revenue and expenditure projections presented in the Thirtieth Five-Year Plan were [quoting from the PICA Act] "based on reasonable and appropriate assumptions and methods of estimation . . . consistently applied." The PICA staff report concluded that "[a]lthough PICA is confident that the [Thirtieth Five-Year Plan] is based on reasonable and appropriate assumptions, and year end fund balances are positive throughout the life of the [Thirtieth Five-Year Plan], certain factors were identified that might present risks to the [Thirtieth Five-Year Plan]." The PICA report identified such factors as: (i) a slower than projected recovery from the COVID-19 pandemic; (ii) low General Fund balance levels; (iii) increased future labor costs; (iv) increased pension funding; and (v) rising overtime costs. The PICA staff report also highlighted certain other financial concerns that could impact the City's financial condition, including, among others (a) speculative revenues from sources such as locally generated non-tax revenue and revenue from other governments; (b) rising employee health benefit costs; (c) increased funding of the School District; and (d) the lack of additional payments to the Budget Stabilization Reserve over the course of the Thirtieth Five-Year Plan

For Fiscal Years 2022-2026, the Thirtieth Five-Year Plan projects that the City will end such Fiscal Years with General Fund balances (on the legally enacted basis) of approximately (i) $86.5 million (Fiscal Year 2022), (ii) $140.5 million (Fiscal Year 2023), (iii) $132.3 million (Fiscal Year 2024), (iv) $127.5 million (Fiscal Year 2025), and (v) $121.5 million (Fiscal Year 2026).

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

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

REVENUES OF THE CITY

General

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

Major Revenue Sources

The City currently derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for General Fund tax revenues for Fiscal Years 2018-2020, budgeted amounts and current estimates for Fiscal Year 2021, and budgeted amounts for Fiscal Year 2022. The following discussion of the City's revenues does not take into account revenues in the non-debt related funds. The tax rates for Fiscal Years 2018 through 2020 are contained in the Fiscal Year 2020 ACFR. The tax rates for Fiscal Years 2021 and 2022 are contained in the Fiscal Year 2021 Adopted Budget and the Fiscal Year 2022 Adopted Budget, as applicable.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Table 3
General Fund Tax Revenues
Fiscal Years 2018-2020 (Actual), 2021 (Adopted Budget and Current Estimate), and 2022 (Adopted Budget)
(Amounts in Millions of USD) (1), (2), (3)

	Actual 2018	Actual 2019	Actual 2020	Adopted Budget 2021 (June 26, 2020)	Current Estimate 2021 (August 16, 2021)	Adopted Budget 2022 (June 29, 2021)
Real Property Taxes						
Current	$611.3	$658.2	$671.8	$647.5	$694.1	$696.3
Prior	39.1	38.4	27.3	36.8	18.2	26.7
Total	$650.4	$696.6	$699.1	$684.3	$712.3	$723.1
Wage and Earnings Tax[4]						
Current	$1,536.9	$1,577.5	$1,591.9	$1,513.7	$1,500.7	1,551.0
Prior	5.4	4.4	7.3	5.4	(99.6)	(64.6)
Total	$1,542.3	$1,581.9	$1,599.2	$1,519.1	$1,401.1	$1,486.4
Business Taxes						
Business Income and Receipts Tax Current & Prior	$446.1	$540.9	$534.2	$464.3	$516.7	$521.2
Net Profits Tax						
Current	$27.6	$29.5	$22.5	$25.2	$20.0	$25.7
Prior	4.7	6.4	6.7	4.7	4.7	4.7
Subtotal Net Profits Tax	$32.3	$35.8	$29.2	$29.9	$24.7	$30.4
Total Business and Net Profits Taxes	$478.4	$576.7	$563.4	$494.2	$541.5	$551.6
Other Taxes						
Sales and Use Tax[5]	$198.4	$224.2	$204.6	$174.5	$209.7	$216.4
Amusement Tax	23.0	26.4	18.4	16.6	2.3	13.0
Real Property Transfer Tax	331.5	328.4	319.8	292.8	299.3	294.9
Parking Taxes	96.5	99.3	77.3	76.7	51.5	56.4
Other Taxes	4.0	4.4	4.3	4.4	3.3	3.6
Subtotal Other Taxes	$653.3	$682.7	$624.4	$565.1	$566.1	$584.3
Philadelphia Beverage Tax[6]	77.4	76.9	69.9	67.4	63.0	72.5
TOTAL TAXES	**$3,401.8**	**$3,614.8**	**$3,555.9**	**$3,330.1**	**$3,284.0**	**$3,417.8**

(1) Sources: For Fiscal Years 2018-2020, the City's ACFRs for such Fiscal Years. For Fiscal Year 2021 (Adopted Budget), the Fiscal Year 2021 Adopted Budget. For Fiscal Year 2021 (Current Estimate), the FY 2021 Fourth Quarter QCMR. For Fiscal Year 2022 (Adopted Budget), the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable.
(2) See Table 7 in the Fiscal Year 2020 ACFR for tax rates.
(3) Figures may not sum due to rounding.
(4) Does not include the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA Bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.
(5) For more information on the City Sales Tax, see "– Sales and Use Tax" and Table 11.
(6) The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising more than 45% of all tax revenues in Fiscal Year 2020) is the wage, earnings, and net profits tax (collectively, the "Wage, Earnings, and Net Profits Tax"). The Wage and Earnings Tax is collected from all employees working within City limits, and all City residents regardless of work location. The Net Profits Tax is collected on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts within the City limits. The following table sets forth the resident and non-resident Wage, Earnings, and Net Profits Tax rates for Fiscal Years 2018-2022, the annual Wage, Earnings, and Net Profits Tax receipts in Fiscal Years 2018-2020, the budgeted amount and current estimate of such receipts for Fiscal Year 2021, and the budgeted amount of such receipts for Fiscal Year 2022.

Table 4
Summary of Wage, Earnings, and Net Profits Tax Rates and Receipts
Fiscal Years 2018-2020 (Actual), 2021 (Adopted Budget and Current Estimate), and 2022 (Adopted Budget)[(1)]

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates[(2)]	Non-Resident Wage, Earnings and Net Profits Tax Rates	Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD)[(3)]
2018	3.8907%	3.4654%	$2,071.5 (Actual)
2019	3.8809%	3.4567%	$2,146.4 (Actual)
2020	3.8712%	3.4481%	$2,162.8 (Actual)
2021	3.8712%	3.5019%	$2,056.8 (Adopted Budget)
			$1,925.8 (Current Estimate)
2022	3.8398%	3.4481%	$2,044.7 (Adopted Budget)

(1) See Table 7 in the Fiscal Year 2020 ACFR for tax rates for Fiscal Years 2017-2020. See the Thirtieth Five-Year Plan for tax rates for Fiscal Year 2021 and Fiscal Year 2022.
(2) Includes PICA Tax. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.
(3) Sources: For Fiscal Years 2018-2020, the City's ACFRs for the City's annual Wage, Earnings, and Net Profits Tax receipts and the City's Quarterly City Manager's Reports for gross PICA Tax (see first column in Table 43). For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget and the FY 2021 Fourth Quarter QCMR, as applicable. For Fiscal Year 2022, the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable.

Commonwealth funding from gaming revenues is mandated by statute to be used to reduce the resident and nonresident Wage, Earnings, and Net Profits Tax rate. Gaming revenues have averaged approximately $86.3 million in Fiscal Years 2018-2020. For Fiscal Year 2021, the budgeted amount and current estimate of gaming revenues is $86.3 million. For Fiscal Year 2022, the budgeted amount of gaming revenues is $86.3 million.

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

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

Business Income and Receipts Tax

Pursuant to The First Class City Business Tax Reform Act of 1984, City Council imposed a business tax measured by gross receipts, net income or the combination of the two. The same year, City Council by ordinance repealed the Mercantile License Tax and the General Business Tax and imposed the Business Privilege Tax. As of May 1, 2012, the Business Privilege Tax was renamed the Business Income and Receipts Tax (or BIRT). The BIRT allows for particular allocations and tax computations for regulated industries, public utilities, manufacturers, wholesalers, and retailers. Rental activities are usually considered to be business activities. Every estate or trust (whether the fiduciary is an individual or a corporation) must file a BIRT return if the estate or trust is engaged in any business or activity for profit within the City. There are also credit programs where meeting the requirement of the program allows for a credit against the BIRT. All persons subject to both the BIRT and the Net Profits Tax are entitled to apply a credit of 60% of the net income portion of their BIRT liability against what is due on the Net Profits Tax to the maximum of the Net Profits Tax liability for that tax year.

In November 2011, legislation was enacted to halt a previously enacted program of reducing the gross receipts portion of the BIRT and to commence reductions in the net income portion of the BIRT. The following table provides a summary of BIRT rates for tax years 2012-2024. Future BIRT rates remain subject to amendment by action of City Council and the Mayor.

Table 5
Summary of Business Income and Receipts Tax Rates

Tax Year	Gross Receipts	Net Income
2012	1.415 mills	6.45%
2013	1.415 mills	6.45%
2014	1.415 mills	6.43%
2015	1.415 mills	6.41%
2016	1.415 mills	6.39%
2017	1.415 mills	6.35%
2018	1.415 mills	6.30%
2019	1.415 mills	6.25%
2020	1.415 mills	6.20%
2021	1.415 mills	6.20%
2022	1.415 mills	6.20%
2023	1.415 mills	6.15%
2024	1.415 mills	6.10%

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

By tax year 2024, the net income (profits) portion of the business tax is projected to reach 6.10%. In addition, legislation was enacted, effective for tax year 2019, to (i) eliminate the requirement for new businesses to make an estimated business tax payment when filing a return for their first tax year of business operations and (ii) allow such estimated payments in the second year to be made in quarterly installments.

Real Property Taxes

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

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

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

In December 2019, City Council also passed legislation to modify the existing 10-year property tax abatement for new construction of residential properties. Such program has been adjusted to exempt 100% of the improvement value in the first year with graduated 10% annual reductions in the exemption percentage each subsequent year. No changes were made to the existing property tax abatement programs for commercial buildings or substantial rehabilitation of residential structures. Due to the COVID-19 pandemic, this legislation was amended to delay its effective date and will apply to exemption applications beginning January 1, 2022.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

Table 6
Real Estate Tax Rates and Allocations

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

For Fiscal Year 2020, the actual amount of Real Estate Tax revenue for the City was $671.8 million (excluding delinquent collections). For Fiscal Year 2021, the budgeted amount of Real Estate Tax revenue for the City is $647.5 million (excluding delinquent collections). For Fiscal Year 2021, the current estimate of Real Estate Tax revenue for the City is $694.1 million (excluding delinquent collections). For Fiscal Year 2022, the budgeted amount of Real Estate Tax revenue for the City is $696.3 million (excluding delinquent collections). See Table 3 above. For information on the process for appealing a property tax assessment, see the text before and after Table 7 below.

Table 7 shows certified property values for tax years 2021 and 2022.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Table 7
Certified Property Values for Tax Years 2021 and 2022

Tax Year 2021

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

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

Tax Year 2022

Category	Market Value[1]	Taxable Assessed Value	Exempt Assessed Value	Homestead	# of Properties
Single Family Residential	$80,355,038,591	$63,566,942,535	$7,305,795,823	$9,482,300,233	461,956
Multi-Family Residential (Apartments)[2]	27,909,714,448	19,414,879,091	8,176,867,345	317,968,012	42,451
Non-Residential[3]	57,837,117,231	30,205,808,358	27,586,486,873	44,822,000	32,908
Vacant Land	4,942,431,920	2,137,721,190	2,798,497,830	6,212,900	44,233
Total	**$171,044,302,190**	**$115,325,351,174**	**$45,867,647,871**	**$9,851,303,145**	**581,548**

[1] Assessment data current as of March 31, 2021.
[2] Apartments were split from the previous hotels and apartments category and are now reflected as multi-family residential.
[3] Includes commercial, industrial, store with dwelling, hotels, and motels.

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

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

Another factor that can cause Real Estate Tax projections to vary is the review of abatements whose terms expire each year. Such process typically occurs in April or May of each year with OPA manually calculating expiring abatements. OPA staff is in the process of converting this manual calculation system to an automated process. However, such conversion has not been completed at this time. For Tax Year 2022, the manual calculation process will be utilized and is still ongoing. As such, the City's total taxable assessed value estimates are likely to be higher once the abatement review process is completed and any necessary revisions are made.

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

For tax year 2018 (as certified on March 31, 2017), OPA changed the assessed values of over 45,000 parcels (which included properties of all categories, including commercial and residential parcels) throughout the City as part of its reassessment. In September 2017, the owners of multiple commercial properties in the City filed a lawsuit against the City in the Court of Common Pleas. The plaintiffs in such matter alleged, based on a July 2017 Pennsylvania Supreme Court decision, that OPA violated the uniformity clause of the Pennsylvania Constitution in reassessing commercial properties and not residential properties for tax year 2018. The plaintiffs sought declaratory relief, a permanent injunction, and an order directing OPA to recertify their properties at tax year 2017 values. Subsequently, twelve additional cases were filed, asserting virtually the same claims. All of the cases, which encompass approximately 600 plaintiffs and approximately 700 properties, were consolidated for management purposes. In a ruling handed down on July 18, 2019, the Common Pleas Court found that plaintiffs were owed refunds for overpayments equal to the difference between the plaintiffs' Real Estate Taxes for tax year 2017 and tax year 2018. The total amount of these refunds against the City and the School District may be up to approximately $60 million. The City and School District appealed the ruling on October 22, 2019 and oral arguments on such appeal were heard in the Commonwealth Court in June 2021. On July 29, 2021, the Commonwealth Court issued a decision that upheld the ruling of the Common Pleas Court. The City and School District applied to the Commonwealth Court for reargument, which application was denied. The City and School District continue to evaluate their options for further appeals, which could include a petition for an appeal to the Pennsylvania Supreme Court. Any such petition would need to be made by the end of October 2021. City-wide reassessments were conducted for tax years 2019 and 2020 and the City does not expect the Real Estate Taxes for such tax years to be impacted by the final judgment on this matter. For more general information on judgments and settlements on claims against the City, see "LITIGATION."

For tax year 2020 (as certified on March 31, 2019), OPA revised the assessed values of over 503,000 parcels throughout the City as part of its reassessment. As of September 22, 2021, OPA has received 11,728 FLRs, with approximately 10% that have yet to be decided. As of September 22, 2021, BRT has received 7,607 appeals, with approximately 1,859 that have yet to be decided.

For tax year 2021 (as certified on March 31, 2020), OPA had planned to conduct a second year of trending for assessments, but initial results showed certain anomalies that would result in assessed values that were not acceptable to the City's standards. As such, the City carried forward the assessed values from tax year 2020, with the exception of properties that had new construction, expiring abatements, renovations, subdivisions, consolidations, or errors in prior year assessments. As of September 22, 2021, OPA has received 678 FLRs, with approximately 5% that have yet to be decided. As of September 22, 2021, BRT has received 2,413 appeals, with approximately 1,614 that have yet to be decided.

For tax year 2022 (as certified on March 31, 2021), the City did not conduct a citywide reassessment due to operational delays regarding COVID-19. As such, the City carried forward the assessed values from tax year 2021, with the exception of properties that had new construction, expiring abatements, renovations, subdivisions, consolidations, or errors in prior year assessments. As described below in "Review of Assessment Methodology," OPA will continue implementing procedures to ensure greater accuracy in future assessments. As of September 22, 2021, OPA has received 50 FLRs. The deadline to file a 2022 Market Value appeal with BRT is October 4, 2021.

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

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

Real Estate Tax Tables. See Table 8 below for data with respect to Real Estate Taxes levied from 2016 to 2020 and collected by the City from January 1, 2016 to June 30, 2020. See Table 9 for the assessed property values of the City's principal taxable assessed parcels in 2022. See Table 10 for the 2022 market and assessed values of the ten highest valued taxable real properties in the City, as well as the amounts and duration of Real Estate Tax abatements with respect to such properties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Table 8
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2016-2020
(Amounts in Millions of USD)[(1), (2)]

Calendar Year	Taxes Levied Based on Original Assessment[(3)]	Taxes Levied Based on Adjusted Assessment[(4)]	Collections in the Calendar Year of Levy[(6)]	Percentage Collected in the Calendar Year of Levy	Collections in Subsequent Years[(5), (6)]	Total Collections to Date: All Years[(6)]	Percentage Collected to Date: All Years[(6)]
2016	$569.9	$548.8	$525.2	95.7%	$21.1	$546.3	99.5%
2017	$580.5	$564.7	$542.9	96.1%	$19.5	$562.4	99.6%
2018	$658.1	$628.4	$604.4	96.2%	$14.9	$619.3	98.6%
2019	$709.4	$686.1	$660.4	96.3%	$9.4	$669.8	97.6%
2020	$722.7	$709.2	$644.2	N/A	N/A	$644.2	N/A

(1) Source: Fiscal Year 2020 ACFR.
(2) Real Estate Taxes are levied by the City and the School District. While this table reflects City General Fund Real Estate Tax revenues exclusively, the School District Real Estate Tax collection rates are the same.
(3) Taxes are levied on a calendar year basis. They are due on March 31.
(4) Adjustments include assessment appeals, a 1% discount for payment in full by February 28, the senior citizen tax discount, and the tax increment financing return of tax paid. For more information on the reassessment appeal process, see "– Real Property Taxes – Assessment and Appeals."
(5) Includes payments from capitalization charges. This capitalization occurs one time, after the end of the first year of the levy, on any unpaid balances.
(6) For calendar year 2020, the data shown reflects collections through June 30, 2020. For earlier calendar years, the data shown reflects collections through December 31 of the respective year.

Table 9
Principal Taxable Assessed Parcels – 2022
(Amounts in Millions of USD)[(1)]

Taxpayer	2022 Assessment[(2)]	2022 Percentage of Total Assessments
EQC Nine Penn Center Prop	$400.0	0.32%
Kim Sub Cira Square LP	370.6	0.30
Liberty Property Phila[(3)]	359.0	0.29
NG 1500 Market St LLC	349.9	0.28
Phila Liberty Place LP	327.0	0.26
PRU 1901 Market LLC	278.0	0.22
Commerce Square Partners	266.4	0.21
Phila Plaza Phaze II	252.7	0.20
Philadelphia Market Street	250.3	0.20
Brandywine Operating	236.4	0.19
Total	**$3,090.1**	**2.46%**
Total Taxable Assessments[(4)]	**$125,598.4**	

Source: City of Philadelphia, Office of Property Assessment.

(1) Figures may not sum due to rounding.
(2) Assessment Values rounded to the nearest $100,000 and only include the largest assessed property for each taxpayer, additional properties owned by the same taxpayer are not included.
(3) Acquired by Prologis, Inc. in the first quarter of calendar year 2020.
(4) Total 2022 Taxable Assessment as of March 31, 2021.

Table 10
Ten Largest Certified Market and Assessment Values of Tax-Abated Properties
Certified Values for 2022
(Amounts in Millions of USD)[(1), (2)]

Location	2022 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Through Tax Year
900 Packer Ave	$435.0	$435.0	$35.0	$400.0	2030
1001-99 N Delaware Ave	$307.4	$307.4	$49.7	$257.7	2026
1800 Arch St	$278.8	$278.8	$27.9	$250.9	2027
2201 Park Towne Pl	$276.9	$276.9	$206.1	$70.8	2027
401 N Broad St	$245.8	$245.8	$223.1	$22.7	2026
1801 John F Kennedy	$185.0	$185.0	$123.7	$61.3	2024
170 S Independence W Mall	$162.1	$162.1	$141.2	20.9	2028
1601 Vine St	$154.1	$154.1	$13.8	$140.3	2028
2402-14 Market St	$148.0	$148.0	$32.3	115.7	2028
450 N 18th St	$146.3	$146.3	$14.6	$131.7	2027

Source: City of Philadelphia, Office of Property Assessment.

(1) Figures may not sum due to rounding.
(2) Certified Values as of 03/31/2021.

Sales and Use Tax

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

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

The following table sets forth the City Sales Taxes collected in Fiscal Years 2018-2020, the budgeted amount and current estimate for Fiscal Year 2021, and the budgeted amount for Fiscal Year 2022.

Table 11
Summary of City Sales Tax Collections
Fiscal Years 2018-2020 (Actual), 2021 (Adopted Budget and Current Estimate), and 2022 (Adopted Budget)
(Amounts in Millions of USD)[(1)]

Fiscal Year	City Sales Tax Collections
2018 (Actual)	\$198.4[(2)]
2019 (Actual)	\$224.2[(3)]
2020 (Actual)	\$204.6[(3)]
2021 (Adopted Budget)	\$174.5[(3)]
2021 (Current Estimate)	\$209.7[(3)]
2022 (Adopted Budget)	\$216.4[(3)]

(1) Sources: For Fiscal Years 2018-2020, the City's ACFRs for such Fiscal Years. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget and the FY 2021 Fourth Quarter QCMR, as applicable. For Fiscal Year 2022, the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable.

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

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

Real Property Transfer Tax

Real Property Transfer Taxes are collected in connection with the sale of real property in the City. The Real Property Transfer Tax rate in the City is 4.278%, 3.278% of which is imposed by the City and 1% of which is charged by the Commonwealth. In the Fiscal Year 2020 ACFR, the City reported that it collected approximately $319.8 million in revenues from the Real Property Transfer Tax in Fiscal Year 2020.

In the Thirtieth Five-Year Plan (and for Fiscal Year 2021, the FY 2021 Fourth Quarter QCMR), the City currently estimates for Fiscal Years 2021-2026 that it will collect approximately (i) $299.3 million (Fiscal Year 2021), (ii) $294.9 million (Fiscal Year 2022), (iii) $295.8 million (Fiscal Year 2023), (iv) $304.9 million (Fiscal Year 2024), (v) $315.3 million (Fiscal Year 2025), and (vi) $326.1 million (Fiscal Year 2026) in revenues from the Real Property Transfer Tax in such Fiscal Years.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Other Taxes

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

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

The Philadelphia Beverage Tax is deposited into the General Fund, and with the additional revenue, the City has budgeted for pre-Kindergarten, community schools, and debt service for improvements to parks, playgrounds, recreation centers, and libraries, as contemplated by the City's Rebuild program. In the Fiscal Year 2020 ACFR, the City reported that it collected approximately $69.9 million in revenues from the Philadelphia Beverage Tax for Fiscal Year 2020.

In the Thirtieth Five-Year Plan (and for Fiscal Year 2021, the FY 2021 Fourth Quarter QCMR), the City currently estimates that for Fiscal Years 2021-2026 that it will collect approximately (i) $63.0 million (Fiscal Year 2021), (ii) $72.5 million (Fiscal Year 2022), (iii) $76.9 million (Fiscal Year 2023), (iv) $76.3 million (Fiscal Year 2024), (v) $75.7 million (Fiscal Year 2025), and (vi) $75.2 million (Fiscal Year 2026) in revenues from the Philadelphia Beverage Tax in such Fiscal Years.

Collection Initiatives

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

In addition to compliance efforts, the City has completed two projects – one to implement technology solutions for its cashiering and payments processing systems and another to develop an integrated data warehouse and case management system. These initiatives improve operational efficiencies and drive compliance efforts by providing tools previously unavailable to the City.

As a result of economic disruptions from the COVID-19 pandemic, the City's regular collection strategies have been modified. At this time, the Department of Revenue continues to send bills and notifications and pursue outreach efforts to both businesses and vulnerable residents. Some legal action, enforcement projects, and placements with collection agencies are resuming as economic conditions improve. The City continues to evaluate and pursue long-time delinquent accounts and place liens on properties for property-based taxes and fees. Along with existing flexible payment agreements for property tax and water fees, the City also launched new payment agreements for all business taxes in an effort to bring businesses affected by COVID-19 closures into compliance. For information on other collection initiatives related to Real Estate Taxes, see "– Real Property Taxes – Real Estate Tax Collection Initiatives."

Other Locally Generated Non-Tax Revenues

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

Revenue from Other Governments

The following table presents revenues received from other governmental jurisdictions for Fiscal Years 2018-2020, the budgeted amount and current estimate for Fiscal Year 2021, the budgeted amount for Fiscal Year 2022, and the percentage such revenues represent in the General Fund. The table does not reflect substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Table 12
Revenue from Other Governmental Jurisdictions
Fiscal Years 2018-2020 (Actual), 2021 (Adopted Budget and Current Estimate), and 2022 (Adopted Budget)
(Dollar Amounts in Millions of USD)[(1), (2), (3)]

Fiscal Year	Commonwealth[(4)]	Federal Government	Other Governments[(5)]	Total	Percentage of General Fund Revenues
2018 (Actual)	$224.5	$31.3	$68.2	$323.9	7.1%
2019 (Actual)	$214.8	$21.9	$74.4	$311.1	6.5%
2020 (Actual)	$215.1	$85.5[(6)]	$62.0	$362.6	7.5%
2021 (Adopted Budget)	$222.8	$23.0	$51.8	$297.6	6.5%
2021 (Current Estimate)	$226.7	$107.8[(6)]	$47.0	$381.6	8.3%
2022 (Adopted Budget)	$229.4	$44.8[(7)]	$64.1	$338.3	6.4%

(1) Sources: For Fiscal Years 2018-2020, the City's ACFRs for such Fiscal Years. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget and the FY 2021 Fourth Quarter QCMR, as applicable. For Fiscal Year 2022, the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable.
(2) Figures may not sum due to rounding.
(3) Does not include the PICA Tax.
(4) Such revenues are for health, welfare, court, and various other specified purposes.
(5) Such revenues primarily consist of payments from PGW, parking fines and fees from PPA, and other authorized adjustments.
(6) Includes federal relief funding from the CARES Act.
(7) Includes certain FEMA reimbursements planned for COVID-19-related costs.

Revenues from City-Owned Systems

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

The following table shows the amounts transferred from the Water Fund to the General Fund for Fiscal Years 2018-2020, the budgeted amount and current estimate for Fiscal Year 2021, and the budgeted amount for Fiscal Year 2022.

Table 13
Transfers from Water Fund to General Fund (Excess Interest on Sinking Fund Reserve)
Fiscal Years 2018-2020 (Actual), 2021 (Adopted Budget and Current Estimate), and 2022 (Adopted Budget)[(1), (2)]

Fiscal Year	Amount Transferred
2018 (Actual)	$1,627,838
2019 (Actual)	$4,094,824
2020 (Actual)	$4,994,000
2021 (Adopted Budget and Current Estimate)	$1,500,000
2022 (Adopted Budget)	$1,500,000

(1) Sources: For Fiscal Years 2018-2020, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget and the Thirtieth Five-Year Plan, as applicable. For Fiscal Year 2022, the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable.
(2) The Water Department's budgeted amount for such transfers is typically greater than the figure included in the City's operating budget.

The City also budgets for certain transfers from the Water Fund to the General Fund related to services performed and costs borne by the General Fund. For Fiscal Year 2020, the amount of such transfers was approximately $4.4 million. For Fiscal Year 2021, the budgeted amount of such transfers is approximately $9.0 million, while the current estimate is $7.8 million. For Fiscal Year 2022, the budgeted amount of such transfers is approximately $7.4 million.

PGW. The revenues of PGW are required to be segregated from other funds of the City. Payments for debt service on PGW bonds are made directly by PGW. PGW is required to make an annual payment of $18 million to the General Fund. The Fiscal Year 2022 Adopted Budget includes such $18 million annual payment to the General Fund from PGW for such Fiscal Year. For more information on PGW, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services."

Philadelphia Parking Authority Revenues

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

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

The PPA's administrative costs are a component of its operating expenses. In 1999, at the request of the FAA, the PPA and the City entered into a letter agreement (the "FAA Letter Agreement"), which contained a formula for calculating the PPA's administrative costs and capped such costs at 28% of the

PPA's total administrative costs for all of its cost centers. The PPA owns and/or operates parking facilities at a number of locations in the City in addition to those at PHL. The PPA parking facilities at PHL are cost centers for purposes of the FAA Letter Agreement.

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

The following table presents payments received by the City from PPA for on-street parking for Fiscal Years 2018-2020, the budgeted amount and current estimate for Fiscal Year 2021, and the budgeted amount for Fiscal Year 2022.

Table 14
PPA On-Street Parking Payments to the City
Fiscal Years 2018-2020 (Actual), 2021 (Adopted Budget and Current Estimate), and 2022 (Adopted Budget)[(1), (2)]
(Amounts in Millions of USD)

Fiscal Year	Payments to the City
2018 (Actual)	$41.3
2019 (Actual)	$39.1
2020 (Actual)	$32.6
2021 (Adopted Budget)	$31.2
2021 (Current Estimate)	$29.1
2022 (Adopted Budget)	$43.8

(1) Sources: For Fiscal Years 2018-2020, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget and the FY 2021 Fourth Quarter QCMR, as applicable. For Fiscal Year 2022, the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable.
(2) Table 14 shows City revenues; none of such payments is transferred to the School District.

Other Tax Rate Changes

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

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

	Thirtieth Five-Year Plan	
Fiscal Year	Resident Wage and Earnings Tax Rates[(2)]	Non-Resident Wage and Earnings Tax Rates
2021	3.8712%	3.5019%
2022	3.8398%	3.4481%
2023	3.8360%	3.4446%
2024	3.8322%	3.4412%
2025	3.8283%	3.4377%
2026	3.8245%	3.4343%

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

Under the Thirtieth Five-Year Plan, receipts from the Wage and Earnings Tax are estimated to decline in Fiscal Year 2021 by 12.59% and then grow year over year at a rate of (i) 8.11% in Fiscal Year 2022, (ii) 8.52% in Fiscal Year 2023, (iii) 4.36% in Fiscal Year 2024, (iv) 4.68% in Fiscal Year 2025, and (v) 4.45% in Fiscal Year 2026.

EXPENDITURES OF THE CITY

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

Personal Services (Personnel)

As of June 30, 2021, the City employed 27,209 full-time employees, representing approximately 4.3% of employees in Philadelphia (approximately 633,735 employees, according to preliminary, non-seasonally adjusted data from the Bureau of Labor Statistics). Of the 27,209 full-time employees, the salaries of 21,630 were paid from the General Fund. Additional sources of funding for full-time City employees include the Grants Revenue Fund, the Water Fund, and the Aviation Fund, as well as grants and contributions from other governments. Activities funded through such grants and contributions are not undertaken if funding is not received. The following table sets forth the number of filled, full-time positions of the City as of the dates indicated.

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
General Fund					
Police	6,986	7,172	7,241	7,175	6,869
Fire	2,281	2,511	2,530	2,628	2,678
Courts	1,856	1,867	1,842	1,825	1,773
Prisons	2,277	2,177	2,130	1,975	1,620
Streets	1,702	1,738	1,736	1,925	1,941
Public Health	687	711	752	739	716
Human Services[(3)]	385	517	396	437	492
All Other	5,436	5,533	5,583	5,718	5,541
Total – General Fund	21,610	22,226	22,210	22,422	21,630
Other Funds	5,849	5,641	5,873	5,917	5,579
Total – All Funds	27,459	27,867	28,083	28,339	27,209

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

Overview of City Employees

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

As of March 31, 2021, the City had approximately 23,500 unionized employees, representing approximately 80% of the City's employees. Such employees were represented by the City's four municipal unions: (i) Fraternal Order of Police ("FOP") Lodge No. 5; (ii) International Association of Fire Fighters ("IAFF") Local 22; (iii) American Federation of State, County and Municipal Employees District Council 33 ("AFSCME DC 33"); and (iv) American Federation of State, County and Municipal Employees District Council 47 ("AFSCME DC 47"). The foregoing unions were previously covered by bargaining agreements through June 30, 2020. In light of the COVID-19 global pandemic, the City and all of its unions reached one-year agreements to extend contract terms through June 30, 2021, as described in more detail in Table 18 below. Such agreements have expired and the City and the unions are in the process of negotiating longer-term bargaining agreements. An update on the current status of the AFSCME DC 33 and FOP labor contracts is included below.

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

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

On May 6, 2020, the City and AFSCME DC 33 Local 159 reached a one-year extension agreement, which resulted in a 2.25% wage increase and a one-time lump sum bonus for members. The contract was expected to result in a projected aggregate cost to the City of approximately $2.76 million during Fiscal Years 2020 and 2021.

On September 3, 2021, a collective bargaining agreement, covering Fiscal Years 2022-2024, was reached with AFSCME DC 33 and provides for, among other things, (i) wages increases of 2.5%, 3.25%, and 3.25% in Fiscal Years 2022, 2023, and 2024, respectively, (ii) a one-time lump sum bonus for members ($1,200 per member), and (iii) an increase to the City's monthly payments to the union health and welfare fund (item (iii) also applies AFSCME DC 33 Local 159, which shares a common health fund with AFSCME DC 33, as described below). The collective bargaining agreement was ratified by AFSCME DC 33 members on September 24, 2021. Such agreement is expected to result in a projected aggregate cost to the City of approximately $138.0 million over the course of Fiscal Years 2022-2024.

AFSCME DC 33 and AFSCME DC 33 Local 159 share a common health fund. Under prior collective bargaining agreements, the cost of bonuses for such unions have been partially offset by reduced monthly contributions to the health fund. Such reduced monthly contributions have been paused and the City is currently making full contributions to the health fund. It is not known at this time when the reduced monthly contributions may resume.

On September 14, 2021, a labor arbitration award was issued for the FOP Lodge No. 5 (Police Department), covering Fiscal Years 2022-2024, and provides for, among other things, (i) wages increases of 2.75%, 3.50%, and 3.50% in Fiscal Years 2022, 2023, and 2024, respectively, (ii) a one-time lump sum bonus for members ($1,500 per member), (iii) disciplinary reforms, (iv) grievance and arbitration reforms, and (v) a City health fund payment holiday for two months (one in each of calendar year 2021 and 2023, respectively) to reduce City costs. Such arbitration award is expected to result in a projected aggregate cost to the City of approximately $133.0 million over the course of Fiscal Years 2022-2024.

On September 17, 2021, a tentative collective bargaining agreement, covering Fiscal Years 2022-2024, was reached with AFSCME DC 47 and provides for, among other things, (i) wages increases of 2.5%, 3.25%, and 3.25% in Fiscal Years 2022, 2023, and 2024, respectively, (ii) a one-time lump sum bonus for members ($1,200 per member), and (iii) lump sum payments to union health fund of $1.5 million, $1.8 million, and $1.5 million in Fiscal Year 2022, 2023, and 2024, respectively. The collective bargaining agreement was ratified by AFSCME DC 47 members on October 14, 2021. Such agreement is expected to result in a projected aggregate cost to the City of approximately $47.7 million over the course of Fiscal Years 2022-2024. The foregoing agreement does not include AFSCME DC 47 Local 810. Such union is expected to receive labor arbitration award at a future date.

The costs of the existing agreements discussed above have been included in the City's five-year plans, as applicable. For the new labor contracts discussed above, the City is in the process of determining what adjustments will need to be made to the Thirtieth Five-Year Plan to reflect such labor contracts. Once the City has made such adjustments, the City will submit a revised five-year plan to PICA for approval. See "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information" herein).

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

Collective bargaining with respect to the wages, hours and other terms and conditions of employment of union employees, other than uniformed employees of the Police Department and the Fire Department, is governed by the Public Employee Relations Act (Pa. P.L. 563, No. 195 (1970)) ("PERA"). PERA requires the City and the unions to negotiate in good faith to attempt to reach agreement on new contract terms and, if an impasse exists after such negotiations, to mediate through the Commonwealth Bureau of Mediation. Once the mediation procedures have been satisfied, and if no collective bargaining agreement has been reached, most employees covered by PERA are permitted to strike. Certain employees, however, including employees of the Sheriff's Office and the Register of Wills represented by the FOP, corrections officers represented by AFSCME DC 33, and employees of the First Judicial District represented by AFSCME DC 47, are not permitted to strike under PERA. These employees must submit any impasse to binding interest arbitration once the mediation procedures have been satisfied. PERA permits parties at an impasse, which are not required to submit to binding interest arbitration, to do so voluntarily. Provisions of an interest arbitration award issued under PERA that require legislative action are considered advisory only and the legislative body is permitted to meet, consider, and reject those provisions.

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

Overview of Employee Benefits

The City provides various pension, life insurance, and health benefits for its employees. The benefits offered depend on the employee's union status and bargaining unit, if applicable. General Fund employee benefit expenditures for Fiscal Years 2018 through 2022 are shown in the following table.

Table 17
General Fund Employee Benefit Expenditures
Fiscal Years 2018-2020 (Actual), 2021 (Adopted Budget and Current Estimate), and 2022 (Adopted Budget)
(Amounts in Millions of USD)[(1)]

	Actual 2018	Actual 2019	Actual 2020	Adopted Budget 2021	Current Estimate 2021	Adopted Budget 2022
Pension Costs[(2)]	$742.2[(5)]	$752.5[(6)]	$759.5[(7)]	$650.2[(8)]	$665.2[(9)]	$774.6[(10)]
Health						
Payments under City-administered plan	81.6	77.7	78.6	92.0	92.0	98.6
Payments under union-administered plans	336.6	379.3	365.1	367.3	367.3	378.2
Total Health	418.2	457.0	443.7	459.3	459.3	476.8
Federal Insurance Contributions Act (FICA) Taxes[(3)]	80.4	81.8	80.1	84.3	84.3	87.8
Other[(4)]	72.9	79.8	80.1	93.4	93.4	99.5
Total	$1,314.0	$1,371.1	$1,363.4	$1,287.2	$1,302.2	$1,438.6

(1) Sources: The City's five-year financial plans and the City's Quarterly City Manager's Reports. "Payments under City-administered plan" and "Payments under union-administered plans" were provided by the City, Department of Human Resources and the Office of Budget and Program Evaluation. Figures may not sum due to rounding.
(2) Includes debt service on Pension Bonds (as defined herein) and the Commonwealth contributions to the Municipal Pension Fund. See Tables 29 and 30.
(3) Includes payments of social security and Medicare taxes.
(4) Includes payments for unemployment compensation, employee disability, group life, group legal, tool allowance, and flex cash payments.
(5) Includes $24.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(6) Includes $52.1 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(7) Includes $42.7 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(8) Assumes $27.3 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(9) Assumes $44.9 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."
(10) Assumes $48.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Each of the City's four municipal unions sponsors its own health plan that provides medical, prescription, dental and optical benefits to participating employees and eligible retirees through trusts on which the City has varying degrees of minority representation. Exempt and non-represented employees, along with represented employees of the Register of Wills and employees represented by AFSCME DC 33 who have chosen not to become members of the union's healthcare plan, receive health benefits through a plan sponsored and administered by the City. Each of the plans provides different benefits determined by the plan sponsor or through collective bargaining. To provide health care coverage, the City pays a negotiated monthly premium for employees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible employees. Aside from AFSCME DC 33, the City is responsible for the actual health care cost that is invoiced to the City's unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services, and administrative expenses. In addition, employees who satisfy certain eligibility criteria receive five years of health benefits after their retirement. See "OTHER POST-EMPLOYMENT BENEFITS" below. Such benefits are determined and administered by the plan in which the employee participated at the time of his or her retirement. Other employee benefits, including life insurance and paid leave, are similarly determined by the respective collective bargaining agreements, as well as City policies and Civil Service Regulations. Employees also participate in the Municipal Pension Plan. See "PENSION SYSTEM" below.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Overview of Current Labor Situation

Table 18 summarizes the current status of the contract settlements reached with the City's major labor organizations, as well as changes that have been made for non-represented employees. It also provides a brief summary of pension reforms that have occurred since 2016, as part of previous labor contract settlements. The following table does not include exempt employees. Such category of employees were subject to pay reductions in Fiscal Year 2021.

Table 18
Status of Arbitration Awards and Labor Contract Settlements

Organization	Authorized Number of Full-Time Citywide Employees Represented[1]	Status of Arbitration Award or Contract Settlement	Wage Increases	Pension Reforms[2]
FOP Lodge No. 5 (Police Department)	6,374	Three-year contract effective July 1, 2021 through June 30, 2024 awarded by arbitration panel on September 14, 2021	• 2.75% in Fiscal Year 2022 • 3.50% in Fiscal Year 2023 • 3.50% in Fiscal Year 2024	• Current employees in Plan 87 or Plan 10 will pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect, varies by plan membership • Employees hired on or after 7/1/17 will be required to pay an additional 2.5% of salary
FOP Lodge No. 5 (Sheriff's Office and Register of Wills)	365	One-year contract extension effective July 1, 2020 through June 30, 2021	Sheriff's Office employees: • 2.25% effective May 4, 2020 Register of Wills employees: • 2.0% effective May 4, 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 • Plan 10 is closed to new enrollment for members of Lodge 5 • DROP (as defined below) interest rate decreases from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll
IAFF Local 22	2,664	One-year contract extension effective July 1, 2020 through June 30, 2021	• 2.5% effective May 4, 2020	• Current employees in Plan 87 or Plan 10 will pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect; varies by plan membership • Employees hired on or after 7/1/17 will be required to pay an additional 2.5% of salary
AFSCME DC 33	8,109	Three-year contract effective July 1, 2021 through June 30, 2024 (ratified on September 24, 2021)	• 2.50% in Fiscal Year 2022 • 3.25% in Fiscal Year 2023 • 3.25% in Fiscal Year 2024	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 • Plan 10 is closed to new enrollment for members of DC33 • DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll

(1) From data provided by the Mayor's Office of Labor Relations on March 31, 2021.
(2) "Plan 87," "Plan 10," and "Plan 16" referenced in this column are described in Table 19.

Organization	Authorized Number of Full-Time Citywide Employees Represented[1]	Status of Arbitration Award or Contract Settlement	Wage Increases	Pension Reforms[2]
AFSCME DC 33, Local 159 Correctional Officers	1,812	One-year contract effective July 1, 2020 through June 30, 2021	• 2.25% effective May 4, 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 • Plan 10 is closed to new enrollment for members of DC33 • DROP interest rate decreases from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll
AFSCME DC 47	3,736	Three-year contract effective July 1, 2021 through June 30, 2024 (ratified on October 14, 2021)	• 2.50% in Fiscal Year 2022 • 3.25% in Fiscal Year 2023 • 3.25% in Fiscal Year 2024	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 (effective January 1, 2019) • Plan 10 is closed to new enrollment for members of DC47 (effective January 1, 2019)
AFSCME DC 47 Local 810 Court Employees	479	One-year contract extension effective July 1, 2020 through June 30, 2021	• 2.0% effective May 1, 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 (effective January 1, 2019) • Plan 10 is closed to new enrollment for members of DC47 (effective January 1, 2019)
Non-Represented Employees	1,129	Changes for non-represented employees	• 2.0% effective May 1, 2020	• Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first $65,000 of earnings and a defined contribution pension for earnings above $65,000 (effective January 1, 2019) • Previous 2011 reforms to DROP program remain in place; interest rate was decreased from 4.5% to the rate on the one year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll and eligibility age remains increased by two years

(1) From data provided by the Mayor's Office of Labor Relations on March 31, 2021.
(2) "Plan 87," "Plan 10," and "Plan 16" referenced in this column are described in Table 19.

Certain features of the 1987 Plan ("Plan 87"), the 2010 Plan ("Plan 10"), and the 2016 Plan ("Plan 16") are summarized below. Plan 87 is solely a defined benefit plan. Plan 10 and Plan 16 are "hybrid" plans that include both defined benefit and defined contribution components. A more comprehensive summary of each plan is included as Appendix D of the July 1, 2020 Valuation (as defined herein). See "PENSION SYSTEM" below.

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

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

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

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

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

Purchase of Services

The following table shows the City's major purchase of services, which represents one of the major classes of expenditures from the General Fund. Table 20 shows contracted costs of the City for Fiscal Years 2018-2020, the budgeted amounts and current estimates for Fiscal Year 2021, and the budgeted amounts for Fiscal Year 2022.

Table 20
Purchase of Services in the General Fund
Fiscal Years 2018-2020 (Actual), 2021 (Adopted Budget and Current Estimate), and 2022 (Adopted Budget)
(Amounts in Millions of USD)[(1), (7)]

	Actual 2018	Actual 2019	Actual 2020	Adopted Budget 2021	Current Estimate 2021	Adopted Budget 2022
Human Services[(2)]	$76.3	$82.8	$88.6	$129.3	$128.9	$142.6
Public Health	72.7	72.9	96.1	90.5	93.4	95.4
Public Property[(3)]	157.4	163.9	176.9	166.2	159.7	182.4
Streets[(4)]	49.2	53.5	54.4	59.5	69.6	68.2
First Judicial District	13.5	10.3	11.1	8.5	8.5	8.6
Licenses & Inspections	11.6	13.5	12.6	13.5	13.4	13.5
Homeless Services[(5)]	39.2	47.3	50.2	36.0	37.0	45.6
Prisons	102.2	92.5	101.0	88.4	95.3	98.2
All Other[(6)]	369.0	378.8	425.9	357.2	410.2	440.5
Total	**$891.1**	**$915.5**	**$1,016.8**	**$948.6**	**$1,016.0**	**$1,094.5**

(1) For Fiscal Years 2018-2020, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget, the Thirtieth Five-Year Plan, and the FY 2021 Fourth Quarter QCMR, as applicable. For Fiscal Year 2022, the Fiscal Year 2022 Adopted Budget.
(2) Includes payments for care of dependent and delinquent children.
(3) Includes payments for SEPTA, space rentals, and utilities.
(4) Includes solid waste disposal costs.
(5) Includes homeless shelter and boarding home payments.
(6) Includes the Convention Center subsidy, payments for vehicle leasing, and debt service on lease and service agreement financings, among other things.
(7) Figures may not sum due to rounding.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

City Payments to School District

The following table presents the City's payments to the School District from the General Fund for Fiscal Years 2018-2020, the budgeted amount and current estimate for Fiscal Year 2021, and the budgeted amount for Fiscal Year 2022.

Table 21
City Payments to School District
Fiscal Years 2018-2020 (Actual), 2021 (Adopted Budget and Current Estimate), and 2022 (Adopted Budget)
(Amounts in Millions of USD)[(1)]

	Actual 2018	Actual 2019	Actual 2020	Adopted Budget 2021	Current Estimate 2021	Adopted Budget 2022
City Payments to School District	$104.3	$180.9	$227.1	$252.6	$252.6	$256.0

(1) Sources: For Fiscal Years 2018-2020, the City's ACFRs for such Fiscal Years. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget and the FY 2021 Fourth Quarter QCMR, as applicable. For Fiscal Year 2022, the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable.

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

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

City Payments to SEPTA

SEPTA operates a public transportation system within the City and Bucks, Chester, Delaware, and Montgomery counties. SEPTA's operating budget is supported by federal, Commonwealth, and local subsidies, including payments from the City. The following table presents the City's payments to SEPTA from the General Fund for Fiscal Years 2018-2020, the budgeted amount and current estimate for Fiscal Year 2021, and the budgeted amount Fiscal Year 2022.

Table 22
City Payments to SEPTA
Fiscal Years 2018-2020 (Actual), 2021 (Adopted Budget and Current Estimate), and 2022 (Adopted Budget)
(Amounts in Millions of USD)[(1)]

	Actual 2018	Actual 2019	Actual 2020	Adopted Budget 2021	Current Estimate 2021	Adopted Budget 2022
City Payment to SEPTA	$81.9	$84.6	$86.3	$84.6	$84.6	$91.2

(1) Sources: For Fiscal Years 2018-2020, the City's ACFRs for such Fiscal Years. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget and the FY 2021 Fourth Quarter QCMR, as applicable. For Fiscal Year 2022, the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable.

The City budgets operating subsidies each Fiscal Year to match the estimated operating subsidies of the Commonwealth under Act 89. The state operating subsidy is funded through the Pennsylvania Public Transportation Trust Fund as created by Act 44 of 2007, amended by Act 89 of 2013. The local match requirement is calculated to match state operating subsidies. In addition, local matching funds must be appropriated each Fiscal Year in which state funds are received in order for SEPTA to receive the full allocation of state funds. The Thirtieth Five-Year Plan projects annual operating subsidy payments to SEPTA from the City will increase to $104.5 million by Fiscal Year 2026. For more information on SEPTA, see APPENDIX B – "TRANSPORTATION – Southeastern Pennsylvania Transportation Authority (SEPTA)."

City Payments to Convention Center Authority

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

PENSION SYSTEM

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

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

Overview

The City faces significant ongoing financial challenges in meeting its pension obligations, including an unfunded actuarial liability ("UAL") of approximately $5.8 billion as of July 1, 2020. In Fiscal Year 2020, the City's contribution to the Municipal Pension Fund was approximately $768.7 million, of which the General Fund's share (including the Commonwealth contribution) was $627.1 million. See Table 29. The City's aggregate pension costs (consisting of payments to the Municipal Pension Fund and debt service on the Pension Bonds (as defined herein) have increased from approximately 11.19% of the City's General Fund budget to approximately 13.01% of the General Fund budget from Fiscal Years 2011 to 2020). See Table 31. The funded ratio of the Municipal Pension Plan was 76.7% on July 1, 1999 (at which time the UAL was approximately $1.4 billion), and was 51.9% on July 1, 2020.

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

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

- A reduction in the assumed rate of return, from 8.75% in 2009 to 7.50% effective July 1, 2020 (i.e., Fiscal Year 2021). Although the gradual reductions in the assumed rates of return reflected in Table 24 are considered a prudent response to experience studies, by reducing the assumed return in the measurement of the actuarial liabilities, it serves to increase the UAL from what it otherwise would have been.

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

- The Municipal Pension Plan is a mature system, which means the number of members making contributions to the Municipal Pension Plan is less than the number of retirees and other beneficiaries receiving payments from the Municipal Pension Plan, by approximately 8,200. As a result, the aggregate of member contributions and the City's contributions are less than the amount of benefits and refunds payable in most years, with the result that in such years investment income must be relied upon to meet such difference before such income can contribute to an increase in the Municipal Pension System's assets growth. See Table 26 (which reflects that in Fiscal Years 2018-2020, however, the aggregate of member contributions and the City's contribution exceeded the amount of benefits and refunds payable in such Fiscal Years).

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

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

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

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

- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary reducing the potential for future experience losses due to mortality experience.

- In conjunction with the revisions to the amortization periods that occurred in Fiscal Year 2009, changing from a level percent of pay amortization schedule to a level dollar amortization schedule. This results in producing payments that ensure that a portion of principal on the UAL is paid each year.

- Funding consistently an amount greater than the MMO (subject to the authorized deferrals for Fiscal Year 2011 described below). See Table 29.

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

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

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

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

As a result of (i) pension reforms adopting a defined benefit plan capped at $65,000 for new municipal employees, along with increased employee contributions, (ii) a portion of the sales tax dedicated to paying down the UAL, and (iii) the various other reforms mentioned above, the funded ratio of the Municipal Pension Plan increased from 44.8% in Fiscal Year 2016 to 51.9% in Fiscal Year 2020. During Fiscal Years 2018, 2019, and 2020, the UAL decreased by 0.7%, 3.2% and 2.3%, respectively. The Municipal Pension Fund has also had a positive cash flow for three consecutive Fiscal Years (see "– Rates of Return; Asset Values; Changes in Plan Net Position – Changes in Plan Net Position" and Table 26).

This "Overview" is intended to highlight certain of the principal factors that led to the pension system's current funded status, and significant steps the City and the Pension Board (as defined herein) have taken to address the underfunding. The reader is cautioned to review with care the more detailed information presented below under this caption, "PENSION SYSTEM."

Pension System; Pension Board

The City maintains two defined-benefit pension programs: (i) the Municipal Pension Plan, a single employer plan, which provides benefits to police officers, firefighters, non-uniformed employees, and non-represented appointed and elected officials, and (ii) the PGW Pension Plan, a single employer plan, which provides benefits to PGW employees. The Municipal Pension Plan is administered through 20 separate benefit structures, the funding for which is accounted for on a consolidated basis by the Municipal Pension Fund. Such benefit structures establish for their respective members different contribution levels, retirement ages, etc., but all assets are available to pay benefits to all members of the Municipal Pension Plan. The Municipal Pension Plan is a mature plan, initially established in 1915, with net investment assets that totaled approximately $5.8 billion as of June 30, 2020. The Municipal Pension Plan has approximately 28,900 members who make contributions to the plan, and provides benefits to approximately 37,100 retirees and other beneficiaries.

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

Contributions are made by the City to the Municipal Pension Fund from: (i) the City's General Fund; (ii) funds that are received by the City from the Commonwealth for deposit into the Municipal Pension Fund; and (iii) various City inter-fund transfers, representing amounts contributed, or reimbursed, to the City's General Fund for pensions from the City's Water Fund, Aviation Fund, and certain other City funds or agencies. See Table 29. In addition to such City (employer) contribution, the other principal additions to the Municipal Pension Fund are: (i) member (employee) contributions; (ii) interest and dividend income; (iii) net appreciation in asset values; and (iv) net realized gains on the sale of investments. See Table 26 below. An additional source of funding is that portion of the 1% Sales Tax rate increase that is required under Pennsylvania law to be deposited to the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

The City of Philadelphia Board of Pensions and Retirement (the "Pension Board") was established by the City Charter to administer "a comprehensive, fair and actuarially sound pension and retirement system covering all officers and employees of the City." The City Charter provides that the

Pension Board "shall consist of the Director of Finance, who shall be its chairman, the Managing Director, the City Controller, the City Solicitor, the Personnel Director and four other persons who shall be elected to serve on the Board by the employees in the civil service in such manner as shall be determined by the Board." In addition, there is one non-voting member on the Pension Board, who is appointed by the President of City Council. An Executive Director, together with a budgeted staff of 73 personnel, administers the day-to-day activities of the retirement system, providing services to approximately 66,000 members.

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

Membership. The following table shows the membership totals for the Municipal Pension Plan, as of July 1, 2020 and as compared to July 1, 2019.

Table 23
Municipal Pension Plan – Membership Totals

	July 1, 2020	July 1, 2019	% Change
Actives	28,892	28,596	1.0%
Terminated Vesteds	929	965	-3.7%
Disabled	3,833	3,883	-1.3%
Retirees	22,249	22,241	0.0%
Beneficiaries	8,471	8,574	-1.2%
Deferred Retirement Option Plan ("DROP")	1,642	2,069	-20.6%
Total City Members	66,016	66,328	-0.5%
Annual Salaries	$1,921,217,453	$1,842,554,883	4.3%
Average Salary per Active Member	$66,497	$64,434	3.2%
Annual Retirement Allowances	$789,023,043	$774,067,324	1.9%
Average Retirement Allowance	$22,835	$22,309	2.4%

Source: July 1, 2020 Valuation.

As shown in Table 23, total membership in the Municipal Pension Plan decreased by 0.5%, or from 66,328 to 66,016 members, from July 1, 2019 to July 1, 2020, including an increase of 1.0% in active members from 28,596 to 28,892 (who were contributing to the Municipal Pension Fund). Of the 66,016 members, 37,124 were retirees, beneficiaries, disabled, and other members (who were withdrawing from, or not contributing to, the Municipal Pension Fund).

Subject to the exceptions otherwise described in this paragraph, employees and officials become vested in the Municipal Pension Plan upon the completion of ten years of service. Employees and appointed officials who hold positions that are exempt from civil service and who are not entitled to be represented by a union, and who were hired before January 13, 1999, may elect accelerated vesting after five years of service in return for payment of a higher employee contribution than if the vesting period were ten years. Such employees and officials become vested after five years of service if hired after January 13, 1999 or seven years of service if hired after January 1, 2019, and pay a higher employee contribution than if the vesting period were ten years. Elected officials become vested in the Municipal Pension Plan once they complete service equal to the lesser of two full terms in their elected office or eight years and pay a higher contribution than if the vesting period were ten years. Elected officials pay an additional employee contribution for the full cost of the additional benefits they may receive over those of general municipal employees. Upon retirement, employees and officials may receive up to 100% of their average final compensation depending upon their years of credited service and the plan in which they participate.

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

Certain membership information relating to the City's municipal retirement system provided by the Pension Board is set forth in Appendix A to the July 1, 2020 Actuarial Valuation Report (the "July 1, 2020 Valuation") and includes as of July 1, 2020, among other information, active and non-active member data by plan, age/service distribution for active participants and average salary for all plans, and age and benefit distributions for non-active member data.

Funding Requirements; Funding Standards

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

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

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

The City has budgeted and paid at least the full MMO amount since such requirement was established, and more specifically, prior to Fiscal Year 2005 the City had been contributing to the Municipal Pension Plan the greater amount as calculated pursuant to the City Funding Policy which was implemented before Act 205 was effective, as described below. Beginning in Fiscal Year 2018, the City is contributing under the Revenue Recognition Policy (defined below), which requires higher contribution amounts than under the MMO. Payment of the MMO is a condition for receipt of the Commonwealth contribution to the Municipal Pension Fund. See Table 29.

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

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

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

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

The amounts projected by the City in the Thirtieth Five-Year Plan (and for Fiscal Year 2021, the FY 2021 Fourth Quarter QCMR) to be deposited from Sales Tax revenue into the Municipal Pension Fund, for the six Fiscal Years 2021-2026, respectively, are as follows: $44.9 million; $48.2 million; $52.9 million; $59.1 million; $65.8 million; and $72.6 million.

UAL and its Calculation

According to the July 1, 2020 Valuation, the funded ratio (the valuation of assets available for benefits to total actuarial liability) of the Municipal Pension Fund as of July 1, 2020 was 51.9% and the Municipal Pension Fund had an unfunded actuarial liability ("UAL") of $5.795 billion. The UAL is the difference between total actuarial liability ($12.038 billion as of July 1, 2020) and the actuarial value of assets ($6.243 billion as of July 1, 2020).

Key Actuarial Assumptions. In accordance with Act 205, the actuarial assumptions must be, in the judgment of both Cheiron (the independent consulting actuary for the Municipal Pension Fund) and the City, "the best available estimate of future occurrences in the case of each assumption." The assumed investment return rate used in the July 1, 2020 Valuation was 7.50% a year (which includes an inflation assumption of 2.75%), net of administrative expenses, compounded annually. For the prior actuarial valuation, the assumed investment return rate was 7.55%. See Table 24 for the assumed rates of return for Fiscal Years 2011 to 2020. The 7.55% was used to establish the MMO payment for Fiscal Year 2021 and 7.50% will be used to establish the MMO payment for Fiscal Year 2022.

Other key actuarial assumptions in the July 1, 2020 Valuation include the following: (i) total annual payroll growth of 3.30%, (ii) annual administrative expenses assumed to increase 3.30% per year, (iii) to recognize the expense of the benefits payable under the Pension Adjustment Fund (as described below), actuarial liabilities were increased by 0.54%, based on the statistical average expected value of the benefits, (iv) a vested employee who terminates will elect a pension deferred to service retirement age so long as their age plus years of service at termination are greater than or equal to 55 (45 for police and fire employees in the 1967 Plan), (v) for municipal and elected members, 65% of all disabilities are ordinary and 35% are service-connected, and (vi) for police and fire members, 25% of all disabilities are ordinary and 75% are service-connected.

"Smoothing Methodology". The Municipal Retirement System uses an actuarial value of assets to calculate its annual pension contribution, using an asset "smoothing method" to dampen the volatility in asset values that could occur because of fluctuations in market conditions. The Municipal Retirement System used a five-year smoothing prior to Fiscal Year 2009, and beginning with Fiscal Year 2009 began employing a ten-year smoothing. Using the ten-year smoothing methodology, investment returns in excess of or below the assumed rate are prospectively distributed in equal amounts over a ten-year period, subject to the requirement that the actuarial value of assets will be adjusted, if necessary, to ensure that the actuarial value of assets will never be less than 80% of the market value of the assets, nor greater than 120% of the market value of the assets. The actuarial value of assets as of July 1, 2020, was approximately 108.0% of the market value of the assets, as compared to 102.9% as of July 1, 2019.

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

Act 205 further requires that an experience study be conducted at least every four years, and cover the five-year period ending as of the end of the plan year preceding the plan year for which the actuarial valuation report is filed. The most recent Experience Study was prepared by Cheiron in March 2018 for the period July 1, 2012 – June 30, 2017. The actuarial and demographic assumptions that were adopted by the Pension Board in response to such Experience Study continue to be employed for the July 1, 2020 Valuation (which is used to determine the June 30, 2022 fiscal year end MMO, City Funding Policy, and Revenue Recognition Policy contributions). Details of these assumption changes and the experience of the Municipal Pension Plan can be found in the *City of Philadelphia Municipal Retirement System Experience Study Results for the period covering July 1, 2012 – June 30, 2017,* available at the Investor Information section of the City's Investor Website.

Pension Adjustment Fund

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

The amount to be credited to the PAF is 50% of the "excess earnings" that are between one percent (1%) and six percent (6%) above the actuarial assumed investment rate. Earnings in excess of six percent (6%) of the actuarial assumed investment rate remain in the Municipal Pension Fund. Although the Pension Board utilizes a ten-year smoothing methodology, as explained above, for the actuarial valuation of assets for funding and determination of the MMO, § 22-311 provides for a five-year smoothing to determine the amount to be credited to the PAF. The actuary determined that for the Fiscal Year ended June 30, 2020, there were no "excess earnings" as defined to be credited to the PAF. The Pension Board transfers to the PAF the full amount calculated by the actuary as being available in any year for transfer within six months of the Pension Board designating the amount to be transferred.

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

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

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

Rates of Return. The following table sets forth for the Fiscal Years 2011-2020 the market value of assets internal rate of return and actuarial value of assets internal rate of return experienced by the Municipal Pension Fund, and the assumed rate of return. The 5-year and 10-year annual average returns as of June 30, 2020, were 5.07% and 7.02%, respectively, on a market value basis.

Table 24
Municipal Pension Fund
Annual Rates of Return

Year Ending June 30,	Market Value	Actuarial Value[(1)]	Assumed Rate of Return
2011	19.4%	9.9%	8.15%
2012	0.2%	2.4%	8.10%
2013	10.9%	5.1%	7.95%
2014	15.7%	4.8%	7.85%
2015	0.3%	5.8%	7.80%
2016	-3.2%	4.5%	7.75%
2017	13.1%	4.4%	7.70%
2018	9.0%	5.1%	7.65%
2019	5.7%	7.6%	7.60%
2020	1.5%	6.5%	7.55%

Source: July 1, 2020 Valuation.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Asset Values. The following table sets forth, as of the July 1 actuarial valuation date for the years 2011-2020, the actuarial and market values of assets in the Municipal Pension Fund and the actuarial value as a percentage of market value.

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

Actuarial Valuation Date (July 1)	Actuarial Value of Assets[1]	Market Value of Net Assets[1]	Actuarial Value as a Percentage of Market Value
2011[2]	$4,719.1	$4,259.2	110.8%
2012[2]	$4,716.8	$4,151.8	113.6%
2013	$4,799.3	$4,444.1	108.0%
2014	$4,814.9	$4,854.3	99.2%
2015	$4,863.4	$4,636.1	104.9%
2016	$4,936.0	$4,350.8	113.5%
2017	$5,108.6	$4,873.0	104.8%
2018	$5,397.4	$5,340.1	101.1%
2019	$5,852.5	$5,687.2	102.9%
2020	$6,242.7	$5,781.6	108.0%

Source: July 1, 2020 Valuation for Actuarial Value of Assets; 2011-2020 Actuarial Reports for Market Value of Net Assets.

(1) For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2020 equaled $1.244 million. The Actuarial Value of Assets excludes that portion of the Municipal Pension Fund that is allocated to the PAF. The actuarial values reflect a ten-year smoothing.

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

Changes in Plan Net Position. The following table sets forth, for Fiscal Years 2016-2020, the additions, including employee (member) contributions, City contributions (including contributions from the Commonwealth), investment income and miscellaneous income, and deductions, including benefit payments and administration expenses, for the Municipal Pension Fund. Debt service payments on pension funding bonds (as described below at "Annual Contributions – *Annual Debt Service Payments on the Pension Bonds*") are made from the City's General Fund, Water Operating Fund, and Aviation Operating Fund, but are not made from the Municipal Pension Fund, and therefore are not included in Table 26. In those years in which the investment income is less than anticipated, the Municipal Pension Fund may experience negative changes (total deductions greater than total additions), which, as the table reflects, did occur in Fiscal Year 2016. Furthermore, if unrealized gains are excluded from Table 26, resulting in a comparison of cash actually received against actual cash outlays, it results in a negative cash flow in Fiscal Years 2016-2017, which is typical of a mature retirement system. In Fiscal Years 2018-2020, there was a positive cash flow.

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

Employee (member) contribution amounts reflect contribution rates as a percent of pay, which for the plan year beginning July 1, 2020, vary from 6.00% to 8.50% for police and fire employees, and from 2.37% to 7.00% for municipal employees excluding elected officials. These rates include the increases for police employees effective July 1, 2017 resulting from the FOP Lodge No. 5 and IAFF Local No. 22 Labor Contracts. Such contracts increased member contributions for current police officers in Plan 87 and Plan 10 by 0.92% effective July 1, 2017 and an additional 0.92% effective July 1, 2018. For new police officers and fire fighters hired or rehired on or after July 1, 2017, the member contribution rate is increased by 2.5% over the rate which would otherwise be in effect as of July 1, 2017. The rates also include the increases in contributions for certain municipal employees and elected officials currently in Plans 67, 87 and 87 Prime and elected officials as required by legislation. This legislation called for employees in these groups to pay an additional 0.5% of compensation from January 1, 2015 to December 31, 2015 and an additional 1.0% from January 1, 2016 onwards. New employees in these groups entering Plan 87 Municipal Prime will pay an additional 1.0% of compensation which is included in the table below. Finally, these rates do not include the additional tiered contributions paid by current and future municipal employees based on their level of compensation.

Table 26
Changes in Net Position of the Municipal Pension Fund
Fiscal Years 2016-2020
(Amounts in Thousands of USD)

	2016	2017	2018	2019	2020
Beginning Net Assets (Market Value)[1]	$4,674,252	$4,357,975	$4,874,075	$5,341,286	$5,688,383
Additions					
- Member Contributions	67,055	73,607	83,289	99,180	111,825
- City Contributions[2]	660,247	706,237	781,984	797,806	768,721
- Investment Income[3]	(147,424)	563,372	438,515	301,749	85,228
- Miscellaneous Income[4]	1,742	3,253	1,812	1,987	1,923
Total	$581,620	$1,346,469	$1,305,600	$1,200,721	$967,697
Deductions					
- Benefits and Refunds	(889,343)	(821,495)	(828,266)	(842,469)	(862,198)
- Administration	(8,554)	(8,874)	(10,123)	(11,155)	(10,991)
Total	$(897,897)	$(830,369)	$(838,389)	$(853,624)	$(873,189)
Ending Net Assets (Market Value)	$4,357,975	$4,874,075	$5,341,286	$5,688,383	$5,782,891

Source: Municipal Pension Fund's audited financial statements.

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

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

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

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

Funded Status of the Municipal Pension Fund

The following two tables set forth, as of the July 1 actuarial valuation date for the years 2011-2020, the asset value, the actuarial liability, the UAL, the funded ratio, covered payroll and UAL, as a percentage of covered payroll for the Municipal Pension Fund on actuarial and market value bases, respectively.

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

Actuarial Valuation Date (July 1)	Actuarial Value of Assets[1] (a)	Actuarial Liability (b)	UAL (Actuarial Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2011	$4,719.1[2]	$9,487.5	$4,768.4	49.7%	$1,371.3	347.7%
2012	$4,716.8[2]	$9,799.9	$5,083.1	48.1%	$1,372.2	370.4%
2013	$4,799.3	$10,126.2	$5,326.9	47.4%	$1,429.7	372.6%
2014	$4,814.9	$10,521.8	$5,706.9	45.8%	$1,495.4	381.6%
2015	$4,863.4	$10,800.4	$5,937.0	45.0%	$1,597.8	371.6%
2016	$4,936.0	$11,024.8	$6,088.8	44.8%	$1,676.5	363.2%
2017	$5,108.6	$11,275.7	$6,167.1	45.3%	$1,744.7	353.5%
2018	$5,397.4	$11,521.0	$6,123.5	46.8%	$1,805.4	339.2%
2019	$5,852.5	$11,783.1	$5,930.6	49.7%	$1,842.6	321.9%
2020	$6,242.7	$12,038.1	$5,795.4	51.9%	$1,921.2	301.7%

Source: July 1, 2020 Valuation.

(1) The July 1, 2011 and July 1, 2012 Actuarial Value of Assets includes the total deferred contribution of $230 million.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

Actuarial Valuation Date (July 1)	Market Value of Net Assets[1] (a)	Actuarial Liability (b)	UAL (Market Value) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
2011	$4,259.2	$9,487.5	$5,228.3	44.9%	$1,371.3	381.3%
2012	$4,151.8	$9,799.9	$5,648.1	42.4%	$1,372.2	411.6%
2013	$4,444.1	$10,126.2	$5,682.1	43.9%	$1,429.7	397.4%
2014	$4,854.3	$10,521.8	$5,667.6	46.1%	$1,495.4	379.0%
2015	$4,636.1[2]	$10,800.4	$6,164.3	42.9%	$1,597.8	385.8%
2016	$4,350.8[2]	$11,024.8	$6,674.0	39.5%	$1,676.5	398.1%
2017	$4,873.0[2]	$11,275.7	$6,402.7	43.2%	$1,744.7	367.0%
2018	$5,340.1[2]	$11,521.0	$6,180.9	46.4%	$1,805.4	342.4%
2019	$5,687.2[2]	$11,783.1	$6,095.9	48.3%	$1,842.6	330.8%
2020	$5,781.6[2]	$12,038.1	$6,256.5	48.0%	$1,921.2	325.7%

Source: 2011-2020 Actuarial Valuation Reports.

(1) The July 1, 2011 and July 1, 2012 Market Value of Net Assets includes the total deferred contribution of $230 million.

(2) For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2015 equaled $38,198,762; as of June 30, 2016 equaled $7,223,000; as of June 30, 2017 equaled $1,097,499; as of June 30, 2018 equaled $1,160,247; as of June 30, 2019 equaled $1,225,114; and as June 30, 2020 equaled $1,243,871.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Annual Contributions

Annual Municipal Pension Contributions

Table 29 shows the components of the City's annual pension contributions to the Municipal Pension Fund for the Fiscal Years 2011-2020.

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

Fiscal Year	General Fund Contribution (A)	Commonwealth Contribution (B)	Aggregate General Fund Contribution (A+B)	Water Fund Contribution	Aviation Fund Contribution	Grants Funding and Other Funds Contribution[1]	Contributions from Quasi-governmental Agencies	Pension Bond Proceeds	Total Contribution (C)	MMO (D)	MMO (Deferred) Makeup Payments	% of MMO Contributed (C/D)
2011	$325.8[2]	$61.8	$387.6	$37.7	$17.1	$13.6	$14.2	$0.0	$470.2[2]	$511.0	$(80.0)[3]	100.0%[4]
2012	$352.7	$95.0	$447.7	$43.8	$20.6	$27.4	$16.2	$0.0	$555.7	$507.0	-	109.7%
2013	$356.5	$65.7	$422.2	$41.4	$20.3	$27.2	$18.1	$252.6[3]	$781.8	$492.0	$230.0[3]	100.0%[4]
2014	$365.8	$69.6	$435.4	$45.5	$22.5	$30.0	$19.8	$0.0	$553.2	$523.4	-	105.7%
2015	$388.5	$62.0	$450.5	$48.3	$23.9	$33.4	$21.1	$0.0	$577.2	$556.0	-	103.8%
2016	$449.6	$62.6	$512.2	$55.1	$27.1	$34.8	$31.0	$0.0	$660.2	$595.0	-	111.0%
2017	$487.0	$68.7	$555.7	$61.0	$28.8	$33.3	$27.4	$0.0	$706.2	$629.6	-	112.2%
2018	$559.7	$72.4	$632.1	$62.7	$28.8	$32.5	$25.9	$0.0	$782.0	$661.3	-	118.3%
2019	$567.7	$74.8	$642.5	$64.7	$31.6	$33.8	$25.2	$0.0	$797.8	$668.3	-	119.4%
2020	$545.1	$82.0	$627.1	$71.6	$34.0	$14.6	$21.4	$0.0	$768.7	$675.8	-	113.7%

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

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

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

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

Annual Debt Service Payments on the Pension Bonds

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

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

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

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

In April 2021, PAID, at the request of the City, issued bonds in the approximate principal amount of $137 million, the proceeds of which were used, among other things, to refund a portion of the 1999 Pension Bonds and the 2012 Pension Bonds. Such refunding restructured debt service to provide the City with budgetary relief in Fiscal Years 2021 and 2022. No proceeds of the bonds were used to make a deposit to the City Retirement System.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Table 30 shows the components of the City's annual debt service payments on the Pension Bonds for the Fiscal Years 2011-2020.

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

Fiscal Year	General Fund Payment	Water Fund Payment	Aviation Fund Payment	Other Funds Payment[1]	Grants Funding	Total Payment
2011	$97.7	$10.3	$4.6	$0.8	$1.5	$114.9
2012	$100.1	$10.7	$4.8	$0.7	$3.4	$119.7
2013[2]	$196.6	$21.5	$10.1	$1.3	$3.8	$233.3
2014[2]	$211.0	$23.6	$11.2	$1.4	$3.7	$250.9
2015	$107.7	$12.6	$5.9	$0.8	$4.0	$131.0
2016	$109.9	$13.7	$6.4	$0.9	$3.8	$134.7
2017	$109.5	$14.5	$6.6	$0.9	$3.3	$134.8
2018	$110.1	$14.3	$6.3	$0.9	$3.1	$134.7
2019	$109.8	$14.2	$6.6	$1.1	$3.0	$134.7
2020	$110.1	$15.7	$7.1	$1.2	$0.6	$134.7

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Annual Pension Costs of the General Fund

Table 31 shows the annual pension costs of the General Fund for the Fiscal Years 2011-2020, being the sum of the General Fund Contribution to the Municipal Pension Fund (column (A) in Table 29 above) and the General Fund debt service payments on Pension Bonds (Table 30 above).

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

Fiscal Year	General Fund Pension Fund Contribution (A)[1]	General Fund Pension Bond Debt Service Payment (B)	Annual Pension Costs (A+B)	Total General Fund Expenditures (C)	General Fund portion of Annual Pension Costs as % of Total General Fund Expenditures (A+B) / C
2011	$325.8	$97.7	$423.5	$3,785.29	11.19%
2012	$352.7	$100.1	$452.8	$3,484.88	12.99%
2013	$356.5	$196.6	$553.1	$3,613.27	15.31%
2014	$365.8	$211.0	$576.8	$3,886.56	14.84%
2015	$388.5	$107.7	$496.2	$3,831.51	12.95%
2016	$449.6	$109.9	$559.5	$4,015.80	13.93%
2017	$487.0	$109.5	$596.5	$4,139.80	14.41%
2018	$559.7	$110.1	$669.8	$4,402.85	15.21%
2019	$567.7	$109.8	$677.5	$4,772.39	14.20%
2020	$545.1	$110.1	$655.2	$5,036.53	13.01%

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

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

Fiscal Year	Annual City Contribution	Fiscal Year Covered Employee Payroll[1]	ACC as % of Payroll
2011	$470,155	$1,371,274	34.29%
2012	$555,690	$1,372,174	40.50%
2013	$781,823	$1,429,723	54.68%
2014	$553,179	$1,495,421	36.99%
2015	$577,195	$1,597,849	36.12%
2016	$660,247	$1,676,549	39.38%
2017	$706,237	$1,744,728	40.48%
2018	$781,984	$1,805,400	43.31%
2019	$797,806	$1,842,555	43.30%
2020	$768,721	$1,921,217	40.01%

Source: Municipal Pension Fund Financial Statements, June 30, 2020.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Actuarial Projections of Funded Status

Cautionary Note. The information under this subheading, "Actuarial Projections of Funded Status," was prepared by Cheiron. The table below shows a five-year projection of Revenue Recognition Policy ("RRP") payments, Actuarial Value of Assets, Actuarial Liability, UAL, and Funded Ratio. The charts below show projections of funded ratios and City contributions based on the RRP through Fiscal Year 2040. All projections, whether for five years or for twenty years, are subject to actual experience deviating from the underlying assumptions and methods, and that is particularly the case for the charts below for the periods beyond the projections in the five-year table. **Projections and actuarial assessments are "forward looking" statements and are based on assumptions which may not be fully realized in the future and are subject to change, including changes based on the future experience of the City's Municipal Pension Fund and Municipal Pension Plan.**

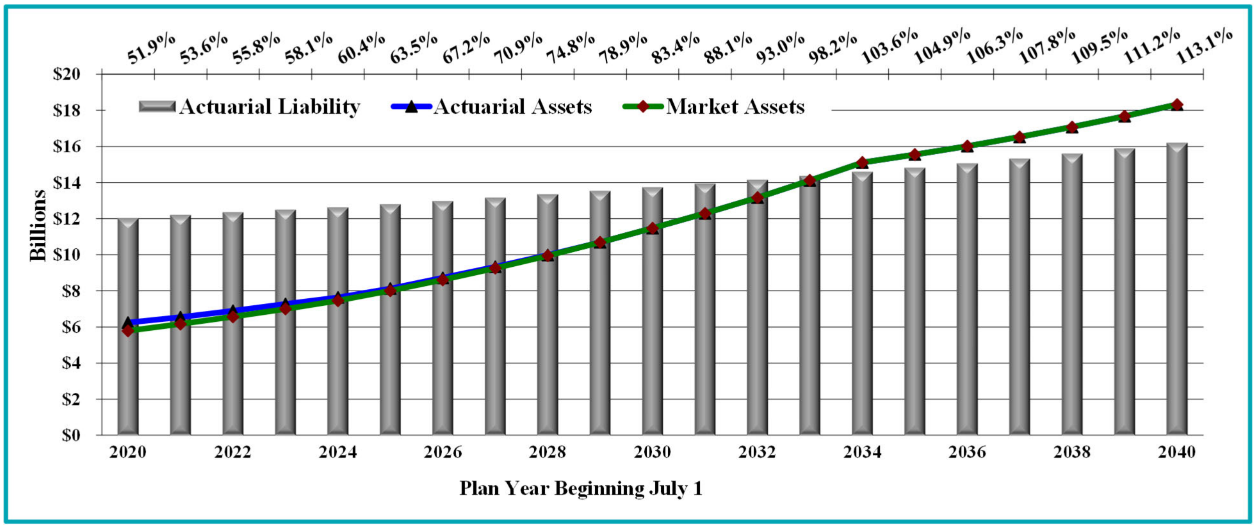
The projections are on the basis that all assumptions as reflected in the July 1, 2020 Valuation are exactly realized and the City makes all future RRP payments on schedule as required by the funding policy adopted by the Pension Board, and must be understood in the context of the assumptions, methods and benefits in effect as described in the July 1, 2020 Valuation. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 7.50% annually, (ii) RRP contributions will be made each year, (iii) the provisions of Act 205 as amended by Act 44 will remain in force during the projection period, and (iv) the future population changes of the participants in the pension plan will follow the demographic actuarial assumptions with the active population remaining constant in the future. The July 1, 2020 Valuation includes charts reflecting the contributions based on MMO (Baseline projection set 1), and charts reflecting the additional contributions in accordance with the RRP (Baseline projection set 2). The charts provided below reflect the RRP contributions, which are higher than the MMO required under Pennsylvania law. Using the RRP, the System is projected to be 80% funded by 2030 and 100% funded by 2034, four years earlier than under the MMO projections. By the end of the projection period, the System is expected to be funded at 113.1% compared to 104.9% when MMO contributions are made. See the July 1, 2020 Valuation for further discussion of the assumptions and methodologies used by the Actuary in preparing the July 1, 2020 Valuation and the following projections, all of which should be carefully considered in reviewing the projections. The July 1, 2020 Valuation is available for review on the website of the City's Board of Pensions. The table and charts below separately set forth estimates of Sales Tax revenues that will be deposited by the City into the Municipal Pension Fund, which were provided by the City to Cheiron at the time of the valuation and differ from the current estimates or budgeted amounts of such revenues as included in the Fiscal Year 2022 Adopted Budget, the Thirtieth Five-Year Plan, or the FY 2021 Fourth Quarter QCMR, as applicable. Cheiron has not analyzed and makes no representation regarding the validity of the sales tax revenue assumptions and estimates provided by the City. See "REVENUES OF THE CITY – Sales and Use Tax." Each of the tables and graphs that follow are part of the July 1, 2020 Valuation and such report should be referenced regarding the underlying benefits, methods, and assumptions utilized in the production of these values.

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

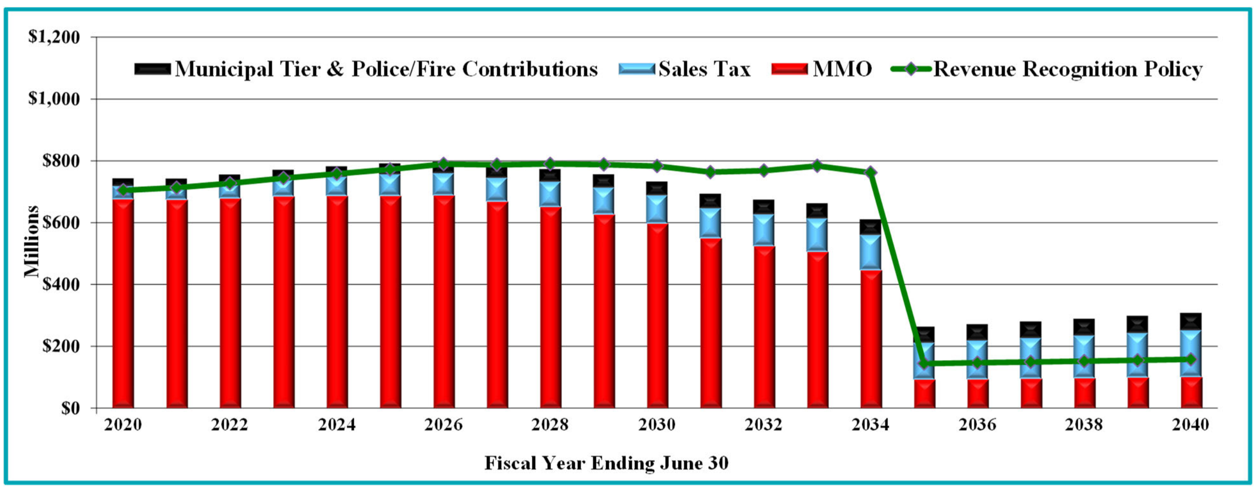
Fiscal Year End	RRP	Sales Tax Contribution	Actuarial Value of Assets	Actuarial Liability	UAL	Funded Ratio
2021	$ 713.0	$ 42.2	$ 6,242.7	$ 12,038.1	$ 5,795.4	51.9%
2022	727.4	48.8	6,542.1	12,208.0	5,666.0	53.6%
2023	744.3	55.4	6,898.5	12,364.3	5,465.8	55.8%
2024	758.1	62.5	7,270.5	12,506.5	5,236.0	58.1%
2025	772.4	70.1	7,635.1	12,632.9	4,997.8	60.4%
2026	789.6	72.1	8,129.1	12,806.6	4,677.5	63.5%

Twenty-Year Projections.

Funded Ratio Chart based on the RRP:



Expected City Contribution Chart based on the RRP (with the amount of the City contribution represented by the green line (RRP) plus the blue boxes (sales tax)):



OTHER POST-EMPLOYMENT BENEFITS

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

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

The annual payments made by the City for OPEB for Fiscal Years 2016-2020 are shown in Table 33 below.

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

Fiscal Year ended June 30,	Annual OPEB Payment
2016	$107,200
2017	$114,800
2018	$96,400
2019	$96,900
2020	$104,600

Source: See Note IV.3 to the City's ACFRs for such Fiscal Years.

For financial reporting purposes, although the City funds OPEB on a pay-as-you-go basis, it is required to include in its financial statements (in accordance with GASB Statement No. 75) a calculation similar to that performed to calculate its pension liability. Pursuant to GASB 75, an annual required contribution is calculated which, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. As of June 30, 2019, the date of the most recent actuarial valuation, the UAL for the City's OPEB was $1.935 billion, the covered annual payroll was $1.843 billion, and the ratio of UAL to the covered payroll was 105.03%. See Note IV.3 to the Fiscal Year 2020 ACFR.

PGW PENSION PLAN

General

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

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

The City sponsors the Philadelphia Gas Works Pension Plan (the "PGW Pension Plan"), a single employer defined benefit plan, to provide pension benefits for certain current and former PGW employees and other eligible class employees of PFMC and the Gas Commission. As plan sponsor, the City, through its General Fund, could be responsible for plan liabilities if the PGW Pension Plan does not satisfy its payment obligations to PGW retirees. At June 30, 2021, the PGW Pension Plan membership total was 3,620, comprised of: (i) 2,504 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them; and (ii) 1,116 participants, of which 872 were vested and 244 were nonvested.

PGW Pension Plan

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

PGW is required by statute to contribute the amounts necessary to fund the PGW Pension Plan. The PGW Pension Plan is funded with (i) contributions by PGW, (ii) contributions from the Sinking Fund Commission of the City (the "Sinking Fund Commission"), (iii) investment earnings, and (iv) employee contributions required for new hires after December 2011 who elect to participate in the PGW Pension Plan. Each month, the Sinking Fund Commission sends, in two separate payments, (i) approximately $2.3 million and (ii) one-twelfth of PGW's annual contribution to the applicable bank account for processing and payment to PGW pensioners.

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. The pension payments are treated as an operating expense of PGW and are included as a component of PGW's base rate. The PUC approves all items that are to be included in PGW's base rates.

Effective October 2015, payments to beneficiaries of the PGW Pension Plan are made by the PGW Retirement Reserve Fund. Prior to October 2015, payments to beneficiaries of the PGW Pension Plan were made by PGW through its payroll system. The financial statements for the PGW Pension Plan for the fiscal year ended June 30, 2021, show an amount due to PGW of approximately $0.2 million, which represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of PGW's required annual contribution and reimbursements received from the PGW Pension Plan.

Pension Costs and Funding

PGW pays an annual amount that is projected to be sufficient to cover its normal cost and an amortization of the PGW Pension Plan's UAL. The following table shows the normal cost, the amortization payment, and the resulting annual required contribution as of the last five actuarial valuation dates for the PGW Pension Plan. Prior to fiscal year 2016, PGW had been using a 20-year open amortization period (and the payments in Table 34 are on the basis of a 20-year open amortization). Commencing in PGW's fiscal year 2016, PGW calculated an annual required contribution on the basis of both a 20-year open amortization period and a 30-year closed amortization period and contributed the higher of the two amounts. An open amortization period is one that begins again or is recalculated at each actuarial valuation date. With a closed amortization period, the unfunded liability is amortized over a specific number of years to produce a level annual payment. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 30-year schedule. Commencing in PGW's fiscal year 2021, PGW's annual contribution is required to be at least $30,000,000 annually unless changed by written directive of the Finance Director. The contribution amount exceeds the suggested level of funding in the Actuarial Valuation Report (Funding) for the Plan Year July 1, 2020 – June 30, 2021 for the PGW Pension Plan and is consistent with the contribution amount in PGW's base rates (i.e., rates PGW charges for services).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

Calculation of ARC for the 12-month period ended:	Normal Cost[1] (A)	Amortization Payment[1] (B)	ARC[(1), (2)] (A + B)	Payments to Beneficiaries[3]
7/1/2017	$7,717	$19,678	$27,395	$51,376
7/1/2018	$7,760	$20,022	$27,782	$52,627
7/1/2019	$7,282	$18,617	$25,899	$53,893
7/1/2020	$6,161	$16,504	$22,665	$55,061
7/1/2021	$7,892	$17,375	$25,267	$56,647

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2021 – June 30, 2022 for the PGW Pension Plan.

(2) Each ARC is the sum reflected in this table, but the "Calculated Mid-Year Contribution" in Tables 36 and 37 more closely approximates the actual pension contributions made by PGW.

(3) Sources: For 2017, the audited financial statements for PGW for the fiscal years ended August 31, 2017 and 2016. For 2018, the audited financial statements for PGW for the fiscal years ended August 31, 2018 and 2017. For 2019, the audited financial statements for PGW for the fiscal years ended August 31, 2019 and 2018. For 2020, the audited financial statements for PGW for the fiscal years ended August 31, 2020 and 2019. For 2021, the financial statements for PGW are for years ended August 31, 2021 and 2020.

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

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

Actuarial Valuation Date	Market Value of Assets	Actuarial Liability	UAL (Market Value)	Funded Ratio
7/1/2017	$521,526	$739,872	$218,346	70.49%
7/1/2018	$543,246	$758,069	$214,823	71.66%
7/1/2019	$553,240	$755,782	$202,542	73.20%
7/1/2020	$543,230	$741,279	$198,049	73.28%
7/1/2021	$673,542	$792,325	$118,783	85.01%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2021 – June 30, 2022 for the PGW Pension Plan.

The current significant actuarial assumptions for the PGW Pension Plan are: (i) investment return rate of 7.00% compounded annually; (ii) salaries are assumed to increase by an amount based on years of service, see table 3 in The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2021 – June 30, 2022 for the PGW Pension Plan; and (iii) retirements that are assumed to occur at the ages detailed in The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2021 – June 30, 2022 for the PGW Pension Plan.

The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2021 – June 30, 2022 for the PGW Pension Plan includes certain changes to the actuarial assumptions, including (i) modifications to mortality tables, turnover rates, disability rates, retirement rates, and salary scales, (ii) increases to assumed participant compensation in the final year of employment prior to retirement, and (iii) modifications to the optional payment form election percentages and the surviving spouse benefit assumptions. Also, for the next actuarial valuation report for the PGW Pension Plan, the investment return rate will be lowered to 7.00% compounded annually.

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

The PGW Pension Plan actuary prepared a separate actuarial valuation report ("GASB 67 Report") for the fiscal year ending June 30, 2021, for purposes of plan reporting information under Governmental Accounting Standards Board Statement No. 67, "Financial Reporting for Pension Plans." The GASB 67 Report shows for the fiscal year ending June 30, 2021, an unfunded liability of approximately $138.2 million (rather than the approximately $118.8 million reflected in Table 35), which results in a funded ratio of 82.97%. In addition, that report provides an interest rate sensitivity, which shows that were the investment rate to be 6.00% (1% lower than the assumed investment rate of 7.00%), the unfunded liability would be approximately $225.0 million.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Projections of Funded Status

The information under this subheading, "Projections of Funded Status," is extracted from tables prepared by Aon, as actuary to the PGW Pension Plan, which were included in their "Philadelphia Gas Works Pension Plan – Funding Alternative Funding Schedules July 1, 2021-June 30,2022". The charts show 10-year projections, using both the current amortization method (20-year, open) and the alternative amortization method (30-year, fixed). See "– Pension Costs and Funding" above. Projections are subject to actual experience deviating from the underlying assumptions and methods. **Projections and actuarial assessments are "forward looking" statements and are based upon assumptions that may not be fully realized in the future and are subject to change, including changes based upon the future experience of the PGW Pension Plan.**

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

Actuarial Valuation Date (July 1)	Actuarial Value of Assets	Actuarial Accrued Liability	UAL (Actuarial Value)	Calculated Mid-Year Contribution(1), (2)	Funded Ratio
2021	$595,369	$792,325	$196,956	$30,000	75.14%
2022	633,076	796,780	163,704	22,963	86.89%
2023	662,484	800,449	137,965	20,477	87.99%
2024	690,193	803,285	113,092	18,069	88.84%
2025	720,490	805,618	85,128	15,471	89.43%
2026	724,716	807,532	82,816	15,240	89.74%
2027	728,657	808,985	80,329	15,009	90.07%
2028	732,436	810,367	77,931	14,853	90.38%
2029	736,231	811,958	75,727	14,720	90.67%
2030	740,166	813,875	73,709	14,613	90.94%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2021 – June 30, 2022 for the PGW Pension Plan.
(2) PGW makes monthly contributions to the PGW Retirement Reserve Fund. The actuary's report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

Actuarial Valuation Date (July 1)	Actuarial Value of Assets	Actuarial Accrued Liability	UAL (Actuarial Value)	Calculated Mid-Year Contribution[(1), (2)]	Funded Ratio
2021	$595,369	$792,325	$196,956	$30,000	75.14%
2022	633,076	796,780	163,704	22,316	79.45%
2023	661,815	800,449	138,634	20,486	82.68%
2024	689,486	803,285	113,800	18,672	85.83%
2025	720,358	805,618	85,260	16,662	89.42%
2026	725,807	807,532	81,725	16,624	89.88%
2027	731,256	808,985	77,729	16,584	90.39%
2028	736,848	810,367	73,519	16,613	90.93%
2029	742,773	811,958	69,185	16,657	91.48%
2030	749,171	813,875	64,704	16,721	92.05%

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2021 – June 30, 2022 for the PGW Pension Plan.

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

Additional Information

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

Further information on the PGW Pension Plan, including with respect to its membership, plan description, funding policy, actuarial assumptions and funded status is contained in the Fiscal Year 2020 ACFR.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

PGW OTHER POST-EMPLOYMENT BENEFITS

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

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

As part of a July 29, 2010 rate case settlement (the "Rate Settlement"), which provided for the establishment of an irrevocable trust for the deposit of funds derived through a rider from all customer classes to fund OPEB liabilities (the "OPEB Surcharge"), PGW established the trust in July 2010, and began funding the trust in accordance with the Rate Settlement in September 2010. The Rate Settlement provided that PGW was to deposit $15.0 million annually for an initial five-year period towards the ARC, and an additional $3.5 million annually, which represented a 30-year amortization of the OPEB liability at August 31, 2010. These deposits were funded primarily through increased rates of $16.0 million granted in the Rate Settlement. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period of 30 years. In PGW's 2015-2016 Gas Cost Rate ("GCR") proceeding, PGW proposed to continue its OPEB Surcharge. The parties to the GCR proceeding submitted a settlement agreement continuing the OPEB Surcharge at the same level of revenue ($16.0 million annually) and funding ($18.5 million annually). Such settlement agreement was approved by the PUC.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Table 38 provides detail of actual PGW OPEB payments for the last five PGW Fiscal Years and projected PGW OPEB payments for PGW Fiscal Years 2021-2025. Table 39 is the schedule of PGW OPEB funding progress.

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

	Calculation of OPEB Payment for the 12-month period ended:	Healthcare	Life Insurance	OPEB Trust	Total
Actual[1]					
	8/31/2016	$29,251	$1,800	$18,500	$49,551
	8/31/2017	$27,788	$1,777	$18,500	$48,065
	8/31/2018	$26,953	$1,661	$18,500	$47,114
	8/31/2019	$27,419	$1,629	$18,500	$47,548
	8/31/2020	$26,944	$1,661	$18,500	$47,105
Projections[2]					
	12/31/2021	$29,528	$1,700	$18,500	$49,728
	12/31/2022	$30,593	$1,700	$18,500	$50,793
	12/31/2023	$31,875	$1,700	$18,500	$52,075
	12/31/2024	$32,483	$1,700	$18,500	$52,683
	12/31/2025	$33,528	$1,700	$18,500	$53,728

(1) Source: PGW audited financial statements for fiscal year ended August 31, 2020.
(2) The Actuarial Valuation Report for the PGW Health and Life Insurance Plan GASB 75 Projected Costs – Discount Rate = 7.30%.

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

Actuarial valuation date	Actuarial value of assets	Actuarial liability	Unfunded actuarial liability	Funded ratio
12/31/2016[1]	$139,624	$489,979	$350,356	28.5%
12/31/2017[1]	$180,743	$559,631	$378,888	32.3%
12/31/2018[1]	$184,455	$520,533	$336,078	35.4%
12/31/2019[1]	$245,361	$493,570	$248,209	49.7%
12/31/2020[2]	$306,097	$491,295	$185,198	62.3%

(1) The Actuarial Valuation Report for the PGW Health and Life Insurance Plan for Retired Employees GASB 75 Financial Disclosure Report for the Fiscal Year Ended August 31, 2020.
(2) The Actuarial Valuation Report for the PGW Health and Life Insurance Plan GASB 75 Projected Costs – Discount rate = 7.30%.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

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

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

From time to time, the City issues, or PICA has issued on behalf of the City, tax and revenue anticipation notes. Each issue was repaid when due, prior to the end of the particular Fiscal Year. The City did not issue any tax and revenue anticipation notes in Fiscal Years 2019 or 2020. In September 2020, the City issued $300 million in tax and revenue anticipation notes, which matured on June 30, 2021 and have been paid in full. The City does not expect to issue tax and revenue anticipation notes in Fiscal Year 2022.

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

Consolidated Cash

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

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

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

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

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

Investment Practices

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

Investment guidelines for the City are embodied in section 19-202 of the Philadelphia Code. In furtherance of these guidelines, as well as Commonwealth and federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that went into effect in August 1994 and was most recently revised in January 2021. The Policy supplements other legal requirements and establishes guiding principles for the overall administration and effective management of all of the City's monetary funds (except the Municipal Pension Fund, the PGW Retirement Reserve Fund, the PGW OPEB Trust and the PGW Workers' Compensation Reserve Fund).

The Policy delineates permitted investments as authorized by the Philadelphia Code and the funds to which the Policy applies. Investment managers may invest in the instruments expressly listed in the Policy, which states that investments in instruments not listed as authorized investments are prohibited. The authorized investments include U.S. government securities, U.S. treasuries, U.S. agencies, repurchase agreements, commercial paper, corporate bonds, money market mutual funds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality, all of investment grade rating or better and with maturity limitations.

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

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

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

Investment managers provide monthly compliance reports to the Investment Committee, which certify that the manager has received, read, and established control measures for ensuring compliance with the Policy, and that the applicable City accounts are in compliance with the Policy. Such reports must include instances of non-compliance, if any, and indicate corrective action taken, gains or losses, and the timeframe, to bring the account into compliance. The Investment Committee is in the process of enhancing its review of these monthly compliance reports to ensure adherence to the Policy.

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

DEBT OF THE CITY

General

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

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

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

Using the methodology described above, as of August 31, 2021, the Constitutional debt limitation for Tax-Supported Debt was approximately $12,607,990,765. The total amount of authorized debt applicable to the debt limit was $2,580,587,000, including $706,712,000 of authorized but unissued debt, leaving a legal debt margin of $10,410,637,765. Based on the foregoing figures, the calculation of the legal debt margin is as follows:

Table 40
General Obligation Debt Limit
As of August 31, 2021
(Amounts in Thousands of USD)

Authorized, issued and outstanding	$1,873,875
Authorized and unissued	706,712
Total	$2,580,587
Less: Self-Supporting Debt	($352,614)
Less: Serial bonds maturing within a year	(30,620)
Total amount of authorized debt applicable to debt limit	2,197,353
Legal debt limit	12,607,991
Legal debt margin	$10,410,638

As a result of the implementation of the City's AVI, the assessed value of taxable real estate within the City has increased substantially. See "REVENUES OF THE CITY – Real Property Taxes." The $12.608 billion Constitutional debt limit calculation includes eight years of property values certified under the City's AVI program, and two years of property values under the City's former property valuation process. Assuming no increase or decrease in property values used to calculate the Constitutional debt limit in Table 40, the Constitutional debt limit is estimated to be $17.384 billion by 2029.

The City is also empowered by statute to issue revenue bonds and, as of August 31, 2021, had outstanding $2,259,395,508 aggregate principal amount of Water and Wastewater Revenue Bonds ("Water and Wastewater Bonds"), $1,058,630,000 aggregate principal amount of Gas Works Revenue Bonds, and $1,565,930,000 aggregate principal amount of Airport Revenue Bonds. The City has also enacted ordinances authorizing the issuance of (i) up to $350 million aggregate principal amount in

Airport Revenue Commercial Paper Notes for the Division of Aviation, (ii) up to $400 million of Airport Revenue Bonds to finance capital projects for the Division of Aviation (of which approximately $179.6 million has been issued), (iii) up to $270 million of Gas Works Revenue Notes to finance working capital and capital projects for PGW, (iv) up to $460 million of Gas Works Revenue Bonds to finance capital projects for PGW, of which approximately $203.2 million has been issued, (v) up to $400 million of Water and Wastewater Commercial Paper Notes for the Philadelphia Water Department, and (vi) up to $800 million of Water and Wastewater Revenue Bonds for the Philadelphia Water Department, of which approximately $250.7 million has been issued. For information on recent and upcoming financings, see "OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings."

As of August 31, 2021, the principal amount of PICA Bonds outstanding was $33,955,000. The final maturity date for such PICA Bonds is June 15, 2023. For more information on PICA Bonds, see "– PICA Bonds" below.

Short-Term Debt

As provided in the PICA Act, the City's tax and revenue anticipation notes are general obligations of the City, but do not constitute debt of the City subject to the limitations of the Constitutional debt limit. The City did not issue any tax and revenue anticipation notes in Fiscal Years 2019 or 2020. In September 2020, the City issued $300 million in tax and revenue anticipation notes, which matured on June 30, 2021 and have been paid in full. The City does not expect to issue tax and revenue anticipation notes in Fiscal Year 2022. See "OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings" and "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – General Fund Cash Flow."

Long-Term Debt

The following table presents a synopsis of the bonded debt of the City and its component units as of the date indicated. Of the total balance of the City's general obligation bonds issued and outstanding as of August 31, 2021, approximately 29% is scheduled to mature within five Fiscal Years and approximately 60% is scheduled to mature within ten Fiscal Years. When PICA's outstanding bonds are included with the City's general obligation bonds, approximately 60% is scheduled to mature within ten Fiscal Years.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Table 41
Bonded Debt
as of August 31, 2021
(Amounts in Thousands of USD)[1], [2]

General Obligation Debt and PICA Bonds				
General Obligation Bonds		$1,873,875		
PICA Bonds		33,955		
Subtotal: General Obligation Debt and PICA Bonds			**$1,907,830**	
Other General Fund-Supported Debt[3]				
Philadelphia Municipal Authority				
Juvenile Justice Center	$76,565			
Public Safety Campus	59,595			
Energy Conservation	6,800			
		$142,960		
Philadelphia Authority for Industrial Development				
Pension capital appreciation bonds	$171,270			
Pension fixed rate bonds	856,435			
Stadiums	200,120			
Library	2,990			
Cultural and Commercial Corridor	71,370			
One Parkway	19,495			
Affordable Housing	47,430			
400 N. Broad[4]	234,508			
Art Museum	9,240			
Rebuild	73,670			
		$1,686,528		
Philadelphia Parking Authority		8,500		
Philadelphia Redevelopment Authority		172,990		
Subtotal: Other General Fund-Supported Debt			**$2,010,978**	
Revenue Bonds				
Water Fund		$2,259,395		
Aviation Fund[5]		1,565,930		
Gas Works[5]		1,058,630		
Subtotal: Revenue Bonds			**$4,883,955**	
Grand Total				**$8,802,763**

---

(1) Unaudited; figures may not sum due to rounding.
(2) For tables setting forth a ten-year historical summary of Tax-Supported Debt of the City and the School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2020, see the Fiscal Year 2020 ACFR.
(3) The principal amount outstanding relating to the PAID 1999 Pension Obligation Bonds, Series B (capital appreciation bonds) is reflected as the accreted value thereon as of August 31, 2021.
(4) Includes (i) sublease payments of approximately $15.2 million annually for the police headquarters renovation; and (ii) an assumption that the City issues approximately $200 million in bonds in 2026 to acquire the project at an assumed interest rate of 5% over the next 20 years.
(5) Does not include any outstanding commercial paper or short-term note issuances for the Division of Aviation, the Water Department, or PGW, as applicable.

Table 42
Annual Debt Service on General Fund-Supported Debt
(as of August 31, 2021)
(Amounts in Millions of USD)[1]

Fiscal Year	General Obligation Debt[2] Principal	Interest[3]	Total	Other General Fund-Supported Debt[4], [5] Principal	Interest[6], [7]	Total	Aggregate General Fund-Supported Debt Principal	Interest	Total
2022	$32.72	$44.79	$77.51	$71.33	$127.40	$198.73	$104.04	$172.16	$276.20
2023	108.47	80.26	188.73	128.39	106.13	234.51	236.86	186.35	423.21
2024	113.38	75.16	188.54	142.04	108.67	250.71	255.42	183.80	439.22
2025	118.58	69.72	188.30	147.35	103.38	250.72	265.92	173.07	438.99
2026	116.58	64.25	180.83	163.88	86.01	249.90	280.46	150.24	430.70
2027	121.81	58.73	180.53	185.27	60.67	245.94	307.07	119.38	426.46
2028	127.90	53.02	180.92	195.20	53.65	248.85	323.10	106.66	429.75
2029	104.04	47.98	152.02	281.74	35.54	317.28	385.77	83.51	469.28
2030	121.06	43.17	164.23	69.60	25.33	94.93	190.66	68.49	259.15
2031	127.22	37.77	164.99	73.00	21.92	94.92	200.22	59.69	259.91
2032	132.98	32.09	165.07	33.21	18.93	52.13	166.19	51.01	217.20
2033	101.58	26.98	128.56	32.59	17.49	50.07	134.16	44.47	178.63
2034	91.43	22.80	114.22	48.46	16.01	64.47	139.89	38.80	178.69
2035	80.37	19.02	99.39	65.28	14.00	79.28	145.65	33.02	178.67
2036	84.03	15.35	99.37	30.30	11.42	41.71	114.32	26.77	141.09
2037	72.71	11.80	84.51	31.80	9.92	41.71	104.51	21.72	126.22
2038	76.04	8.55	84.59	33.37	8.34	41.71	109.41	16.90	126.31
2039	59.09	5.69	64.77	23.00	6.80	29.79	82.08	12.48	94.56
2040	26.83	3.37	30.19	14.24	5.74	19.98	41.07	9.10	50.17
2041	27.95	2.25	30.19	14.94	5.03	19.97	42.89	7.28	50.17
2042	29.16	1.04	30.20	15.68	4.30	19.97	44.83	5.34	50.17
2043	0.00	0.00	0.00	16.45	3.53	19.98	16.45	3.53	19.98
2044	0.00	0.00	0.00	17.26	2.72	19.98	17.26	2.72	19.98
2045	0.00	0.00	0.00	14.04	1.86	15.90	14.04	1.86	15.90
2046	0.00	0.00	0.00	14.76	1.14	15.90	14.76	1.14	15.90
2047	0.00	0.00	0.00	15.52	0.39	15.90	15.52	0.39	15.90
Total	**$1,873.88**	**$723.80**	**$2,597.67**	**$1,878.63**	**$856.29**	**$2,734.92**	**$3,752.50**	**$1,579.90**	**$5,332.40**

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Other Long-Term Debt Related Obligations

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

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia ("CCP"). Under the Community College Act (Pa. P.L. 103, No. 31 (1985)), each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of CCP, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP's operating costs (less tuition and less the Commonwealth's payment). The amount paid by the City in Fiscal Year 2020 was $36.1 million. The budgeted amount and current estimate for Fiscal Year 2021 is $44.1 million. The budgeted amount for Fiscal Year 2022 is $48.1 million.

PICA Bonds

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

On December 3, 2019, PICA issued $31,085,000 of its Series 2019 Special Tax Refunding Bonds (the "2019 PICA Bonds") to provide funds, together with other available funds, to defease certain of its PICA Bonds. On March 17, 2020, PICA issued $24,990,000 Series 2020 Special Tax Refunding Bonds (the "2020 PICA Bonds") to provide funds, together with other available funds, to defease certain of its PICA Bonds. Following the issuance of the 2019 PICA Bonds and 2020 PICA Bonds and the related defeasances, PICA has, as of August 31, 2021, $33,955,000 in PICA Bonds outstanding with a final maturity date of June 15, 2023.

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

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

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

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

The total amount of PICA Tax remitted by the State Treasurer to PICA (which is net of the costs of the State Treasurer in collecting the PICA Tax), PICA annual debt service and investment expenses, and net PICA tax revenue remitted to the City for Fiscal Years 2018-2020, the budgeted amounts and current estimates for Fiscal Year 2021, and the budgeted amounts for Fiscal Year 2022 are set forth below.

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

Fiscal Year	PICA Tax[(2)]	PICA Annual Debt Service and Expenses[(2)]	Net taxes remitted to the City[(3)]
2018 (Actual)	$497.0	$42.8	$454.2
2019 (Actual)	$528.7	$35.2	$493.6
2020 (Actual)	$534.4	$38.4	$495.9
2021 (Adopted Budget)	$507.8	$37.2	$470.6
2021 (Current Estimate)	$499.9	$37.2	$462.7
2022 (Adopted Budget)	$527.9	$37.1	$490.8

(1) Figures may not sum due to rounding.
(2) Source: The City's Quarterly City Manager's Reports or the budget for the applicable Fiscal Year.
(3) Source: For Fiscal Years 2018-2020, the City's ACFRs for such Fiscal Years. For Fiscal Year 2021, the Fiscal Year 2021 Adopted Budget and the FY 2021 Fourth Quarter QCMR, as applicable. For Fiscal Year 2022, the Fiscal Year 2022 Adopted Budget and the Thirtieth Five-Year Plan, as applicable.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

OTHER FINANCING RELATED MATTERS

Swap Information

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

Table 44
Summary of Swap Information
for General Fund-Supported Debt (as of August 31, 2021)

City Entity	City GO	City Lease PAID	City Lease PAID
Related Bond Series	2009B(1)	2007B-2 (Stadium)(3)	2007B-2 (Stadium)(4)
Initial Notional Amount	$313,505,000	$217,275,000	$72,400,000
Current Notional Amount	$100,000,000	$47,036,363	$15,673,637
Termination Date	8/1/2031	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	3.9713%	3.9713%
Dealer	Royal Bank of Canada	JPMorgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Fair Value(2)	($22,296,007)	($8,099,345)	($2,698,957)
Additional Termination Events	For Dealer: Rating change below BBB- or Baa3 For City: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)	For Dealer: Rating change below BBB- or Baa3 For PAID: Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3)

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

(2) Fair values are as of August 31, 2021, and are shown from the City's perspective and include accrued interest.

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

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

.

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

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, the Water Department, and the Division of Aviation, see the Fiscal Year 2020 ACFR. In addition, PICA has entered into swaps, which are detailed in the Fiscal Year 2020 ACFR.

Swap Policy

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

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

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

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

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

Letter of Credit Agreements

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

Table 45
Summary of Letter of Credit Agreements
for General Fund-Supported Debt
as of August 31, 2021

Variable Rate Bond Series	Amount Outstanding	Bond Maturity Date	Provider	Expiration Date	Rating Thresholds [1]
General Obligation Multi-Modal Refunding Bonds, Series 2009B	$100,000,000	August 1, 2031	Barclays Bank PLC	May 24, 2023	The long-term rating assigned by any one of the rating agencies to any unenhanced long-term parity debt of the City is (i) withdrawn or suspended for credit-related reasons or (ii) reduced below investment grade.
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2	$ 62,710,000	October 1, 2030	TD Bank	May 29, 2024	The long-term ratings assigned by at least two of the rating agencies to any unenhanced general obligation bonds of the City is (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below investment grade.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Recent and Upcoming Financings

Recent Financings. The following is a list of financings that the City has entered into in calendar year 2021.

- In October 2021, the City issued $231,930,000 in Water and Wastewater Revenue Bonds.
- In August 2021, the City issued $426,800,000 in General Obligation and General Obligation Refunding Bonds.
- In July 2021, the City issued $302,040,000 in Airport Revenue and Refunding Bonds.
- In June 2021, the City issued $368,720,000 in Water and Wastewater Revenue Refunding Bonds.
- In April 2021, PAID issued $136,990,000 in City Service Agreement Revenue Refunding Bonds for the benefit of the City.

Upcoming Financings. In addition to the financing contemplated by this Official Statement, the following is a list of financings that the City expects to enter into in calendar year 2021.

- None.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

CITY CAPITAL PROGRAM

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

Certain Historical Capital Expenditures

Table 46 shows the City's historical expenditures for Fiscal Years 2017-2021 for certain capital purposes, including expenditures for projects related to transit, streets and sanitation, municipal buildings, recreation, parks, museums, and stadia, and economic and community development. The source of funds used for such expenditures are primarily general obligation bond proceeds, but also include federal, state, private, and other government funds and operating revenue. Figures in the table below are generated after the Fiscal Year closes and may not sum due to rounding.

Table 46
Historical Expenditures for Certain Capital Purposes
Fiscal Years 2017-2021

Purpose Category	2017	2018	2019	2020	2021
Transit	$ 366,060	$ 7,284,978	$ 7,511,909	$ 2,118,190	$ 275,524
Streets & Sanitation	43,784,921	27,626,173	51,724,238	55,819,152	74,069,852
Municipal Buildings	45,002,114	75,096,668	76,886,156	113,997,857	88,706,617
Recreation, Parks, Museums & Stadia	37,323,288	61,839,958	42,098,687	23,488,384	28,727,639
Economic & Community Development	4,570,196	18,288,380	17,060,541	19,160,053	10,219,384
Total	**$131,046,579**	**$190,136,157**	**$195,281,531**	**$214,583,636**	**$201,999,016**

Table 47 shows the City's historical expenditures for Fiscal Years 2017-2021 for certain capital purposes from general obligation bond proceeds only and the percentage of the total costs covered by such proceeds in such Fiscal Years. Figures in the table below are generated after the Fiscal Year closes and may not sum due to rounding.

Table 47
Historical Expenditures for Certain Capital Purposes
(General Obligation Bond Proceeds Only)
Fiscal Years 2017-2021

Purpose Category	2017	2018	2019	2020	2021
Transit	$ 366,060	$ 7,227,880	$ 7,509,010	$ 2,115,963	$ 274,336
Streets & Sanitation	21,964,898	19,601,019	27,508,365	30,392,324	27,389,047
Municipal Buildings	43,436,831	70,850,458	70,306,949	86,218,008	60,609,517
Recreation, Parks, Museums & Stadia	29,135,962	54,534,870	35,427,491	10,870,133	23,396,808
Economic & Community Development	4,570,196	18,288,380	17,060,541	19,160,053	9,934,028
Total	**$99,473,947**	**$170,502,607**	**$157,812,356**	**$148,756,480**	**$121,603,736**
Percentage of Total Costs	**76%**	**90%**	**81%**	**69%**	**60%**

Fiscal Year 2022-2027 Adopted Capital Program

The Fiscal Year 2022-2027 Adopted Capital Program contemplates a total budget of $9.47 billion (a decrease from $11.29 billion as budgeted in the Fiscal Year 2021-2026 Adopted Capital Program). In the Fiscal Year 2022-2027 Adopted Capital Program, approximately $3.15 billion is expected to be provided from federal, Commonwealth, and other sources and approximately $6.33 billion through City funding. For Fiscal Year 2022, the City has budgeted $3.26 billion for capital projects (a decrease from $3.39 billion in Fiscal Year 2021). The following table shows the amounts budgeted each year from various sources of funds for capital projects in the Fiscal Year 2022-2027 Adopted Capital Program.

Table 48
Fiscal Year 2022-2027 Adopted Capital Program
(Amounts in Thousands of USD)

Funding Source	2022	2023	2024	2025	2026	2027	2022-2027
City Funds--Tax Supported							
Carried-Forward Loans	398,747	-	-	-	-	-	398,747
Operating Revenue	189,871	11,250	11,250	11,250	11,250	11,250	246,121
New Loans	273,898	169,785	168,855	170,987	170,696	161,143	1,115,364
Prefinanced Loans	2,141	-	-	-	-	-	2,141
PICA Prefinanced Loans	19,287	-	-	-	-	-	19,287
Tax Supported Subtotal	**$883,944**	**$181,035**	**$180,105**	**$182,237**	**$181,946**	**$172,393**	**$1,781,660**
City Funds--Self Sustaining							
Self-Sustaining Carried Forward Loans	482,364	-	-	-	-	-	482,364
Self-Sustaining Operating Revenue	175,663	28,819	28,819	28,819	28,819	28,819	319,758
Self-Sustaining New Loans	462,550	632,516	702,697	528,659	694,022	723,242	3,743,686
Self-Sustaining Subtotal	**$1,120,577**	**$661,335**	**$731,516**	**$557,478**	**$722,841**	**$752,061**	**$4,545,808**
Other City Funds							
Revolving Funds	30,000	30,000	17,500	17,500	17,500	17,500	130,000
Other Than City Funds							
Carried-Forward Other Government	30,706	-	-	-	-	-	30,706
Other Government Off Budget	1,852	1,782	2,011	2,131	1,873	1,400	11,049
Other Governments/Agencies	2,600	2,100	100	100	100	100	5,100
Carried-Forward State	254,324	-	-	-	-	-	254,324
State Off Budget	151,871	185,950	173,155	185,839	185,479	182,775	1,065,069
State	44,450	44,585	49,088	48,132	46,179	43,210	275,644
Carried-Forward Private	97,269	-	-	-	-	-	97,269
Private	18,470	9,463	5,594	5,634	5,680	3,997	48,838
Carried-Forward Federal	444,756	-	-	-	-	-	444,756
Federal Off-Budget	41,993	52,520	27,283	6,909	4,357	1,024	134,086
Federal	133,950	90,311	123,041	104,394	101,715	97,121	650,532
Other Than City Funds Subtotal	**$1,252,241**	**$416,711**	**$397,772**	**$370,639**	**$362,883**	**$347,127**	**$3,147,373**
TOTAL	**$3,256,762**	**$1,259,081**	**$1,309,393**	**$1,110,354**	**$1,267,670**	**$1,271,581**	**$9,474,841**

LITIGATION

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

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

General Fund

The following table presents the City's aggregate losses from settlements and judgments paid out of the General Fund for Fiscal Years 2018-2020 and the budgeted amounts for Fiscal Year 2021 and Fiscal Year 2022.

Table 49
Aggregate Losses – General and Special Litigation Claims (General Fund)
Fiscal Years 2018-2020 (Actual) and 2021-2022 (Budget)
(Amounts in Millions of USD)

	Actual 2018	Actual 2019	Actual 2020	Budget 2021	Budget 2022
Aggregate Losses	$44.6	$45.3	$47.7	$47.8	$49.2

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

The current estimate of settlements and judgments from the General Fund for Fiscal Year 2021 is $47.8 million. Such estimate is based on internal calculations using (i) the "Possible Costs" listed in its Quarterly Litigation Reports, (ii) the 3-year average cost for closed cases, and (iii) current year-to-date spending reports. Current year spending includes payments made for settled cases pursuant to payment plans over multiple years. Such payments are generally made at the start of a Fiscal Year, which can result in the current estimate being skewed higher during the early part of such Fiscal Year.

In budgeting for settlements and judgments in the annual operating budget and projecting settlements and judgments for each five-year plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses.

In addition to routine litigation incidental to performance of the City's governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the General Fund. These proceedings involve: (i) environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; (ii) contract disputes and other commercial litigation; (iii) union arbitrations and other employment-related litigation; (iv) potential and certified class action suits; and (v) civil rights litigation. The ultimate outcome and fiscal impact, if any, on the General Fund of the claims and proceedings described in this paragraph are not currently predictable. See Note IV.8 to the Fiscal Year 2020 ACFR, "Contingencies – Primary Government – Claims and Litigation" in APPENDIX C hereto.

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

Water Fund

Various claims have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The following table presents the Water Department's aggregate losses from settlements and judgments paid out of the Water Fund for Fiscal Years 2018-2020 and the budgeted amounts for Fiscal Year 2021 and Fiscal Year 2022. The current estimate for Fiscal Year 2021 is $2.5 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

Table 50
Aggregate Losses – General and Special Litigation Claims (Water Fund)
Fiscal Years 2018-2020 (Actual) and 2021-2022 (Budget)
(Amounts in Millions of USD)

	Actual 2018	Actual 2019	Actual 2020	Budget 2021	Budget 2022
Aggregate Losses	$6.3	$3.3	$3.9	$7.5	$6.0

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Aviation Fund

Various claims have been asserted against the Division of Aviation and in some cases lawsuits have been instituted. Many of these Division of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Division of Aviation. The following table presents the Division of Aviation's aggregate losses from settlements and judgments paid out of the Aviation Fund for Fiscal Years 2018-2020 and the budgeted amounts for Fiscal Year 2021 and Fiscal Year 2022. The current estimate for Fiscal Year 2021 is $1.2 million. The Aviation Fund is the first source of payment for any of the claims against the Division of Aviation.

Table 51
Aggregate Losses – General and Special Litigation Claims (Aviation Fund)
Fiscal Years 2018-2020 (Actual) and 2021-2022 (Budget)
(Amounts in Millions of USD)

	Actual 2018	Actual 2019	Actual 2020	Budget 2021	Budget 2022
Aggregate Losses	$1.1	$1.7	$1.3	$2.5	$2.5

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

PGW

Various claims have been asserted against PGW and in some cases lawsuits have been instituted. Many of these PGW claims have been reduced to judgment or otherwise settled in a manner requiring payment by PGW. The following table presents PGW's settlements and judgments paid out of PGW revenues, with accompanying reserve information, in PGW Fiscal Years 2016 through 2020. PGW revenues are the first source of payment for any of the claims against PGW. PGW currently estimates approximately $5.2 million and $2.7 million in settlements and judgments for PGW Fiscal Years 2021 and 2022, respectively.

Table 52
Claims and Settlement Activity (PGW)
PGW Fiscal Years 2016-2022
(Amounts in Thousands of USD)

Fiscal Year (ending August 31)	Beginning of Year Reserve	Current Year Claims and Adjustments	Claims Settled	End of Year Reserve	Current Liability Amount (due within one year)
2016	$11,512	$2,022	($3,041)	$10,493	$5,307
2017	$10,493	$6,681	($2,797)	$14,377	$4,627
2018	$14,377	$2,910	($3,223)	$14,064	$6,100
2019	$14,064	($1,582)	($2,922)	$9,560	$3,925
2020	$9,560	$1,973	($2,091)	$9,442	$5,435
2021(1)	$9,442	$5,187	($5,210)	$9,419	$2,367
2022(2)	$9,419	$1,558	($2,663)	$8,314	$3,581

Sources: For fiscal years ended August 31, 2016 through August 31, 2020, PGW's audited financial statements.

(1) Estimated Period – September 1, 2020 through August 31, 2021.
(2) Budget Period – September 1, 2021 through August 31, 2022.

APPENDIX B

CITY SOCIOECONOMIC INFORMATION

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

CITY SOCIOECONOMIC INFORMATION

TABLE OF CONTENTS

COVID-19

This APPENDIX B includes historical demographic and socioeconomic information regarding the City of Philadelphia (the "City" or "Philadelphia"), much of which describes periods of time prior to the outbreak of the COVID-19 pandemic. The reader is cautioned that this APPENDIX B does not fully reflect the impact of COVID-19 on the City's demographic and socioeconomic conditions; nor does it address the impact of any related government, business, or policy initiatives. As such, historical and certain current data points and trends included in this APPENDIX B should be viewed in such context.

The COVID-19 pandemic has resulted in stay-at-home orders, travel bans, and closures of schools and non-essential businesses, and COVID-19 has impacted almost every industry in the global, national, and local economies. As noted in this Official Statement, the City has taken various emergency measures and other actions to respond to the spread of COVID-19 in the City. While most of the City's emergency measures have been lifted and there have been signs of economic recovery, the City continues to monitor the economic impact of COVID-19, which has been substantial. There continue to be significant uncertainties and risks in the City's key economic sectors and industries and the circumstances related thereto continue to evolve.

While the City continues to closely monitor and assess the effects of the COVID-19 pandemic and its impact on the City's financial position and operations, the City also expects COVID-19 to have a substantial impact on its demographic and socioeconomic conditions. The City has experienced reductions to job growth, population growth, resident employment, and personal income growth, as well as an increase in the unemployment rate and uncertain impacts on retail sales and commercial real estate occupancy. Some of these reductions and downward trends are reflected in this APPENDIX B where 2020 figures are available (whether preliminary or final).

In addition to the impact on the City's existing economic and employment base, COVID-19 has caused a downturn in economic development and the tourism and hospitality industries in the City. Uncertainties regarding the economic impact of COVID-19 on the City's public educational institutions and private colleges and universities and in the healthcare sector are also being closely monitored.

Certain of the City's public educational institutions and private colleges and universities have implemented a return to full in-person learning arrangements for the 2021-2022 school year, with students living and learning on campus. In-person, face-to-face classes, along with some hybrid classes (a combination of virtual and in-person instruction), are expected. In addition, the School District of Philadelphia has implemented a return to full in-person instruction for the 2021-2022 school year for grades K-12. Certain operational modifications for educational institutions may remain in place based on public health guidance.

The transportation sector, particularly mass transit and air travel, in the City has also been uniquely and negatively impacted by COVID-19. There have been significant interruptions to normal service and passenger fares and other revenues, with the implementation of stay-at-home orders, remote work arrangements, travel bans, and social distancing guidelines, among other public health safety measures.

It is likely that the impact of COVID-19 on the City, its economy and financial position, and its demographic and socioeconomic conditions will continue to change as circumstances and events evolve. The duration, severity, and degree of the impact of COVID-19 are extremely difficult to predict at this time due to the dynamic nature of the outbreak, which could include subsequent outbreaks or surges in cases due to any COVID-19 variants. The City believes that it may be some time before it is able to *determine the full impact of the various events surrounding COVID-19 and the pace of post-pandemic recovery.*

As described in APPENDIX A – "OVERVIEW – Fiscal Health of the City – COVID-19," federal relief funding from the CARES Act and the American Rescue Plan is available to the City and is expected to be used to help the City replace lost revenue to support core government services and the pandemic response efforts. Federal, state, and local funding has been secured for businesses and individuals impacted by the pandemic. The City formed a Recovery Office and Steering Committee to oversee the management of COVID-19 recovery grants. In determining how such grants are allocated, the Recovery Office and Steering Committee has identified three key themes to drive investments: (i) protecting public health and safety, (ii) protecting vulnerable residents, and (iii) economic recovery. Recovery funds have also been used for a number of initiatives aimed at supporting vulnerable populations, including (a) establishing meal distribution sites throughout the City, (b) providing digital access for children learning remotely, (c) providing non-congregate sheltering for those who are high-risk for COVID-19, and (d) supporting safety and social distancing within the City's shelter system.

For more information on the City's response to COVID-19 and the related financial impact on the City, see the forepart of this Official Statement and "INTRODUCTION – COVID-19 Response" and APPENDIX A – "OVERVIEW – Fiscal Health of the City – COVID-19."

INTRODUCTION

The City is the sixth largest city in the nation by population, and is at the center of the United States' eighth largest metropolitan statistical area, according to 2019 estimates. The Philadelphia MSA (further described below) includes a substantial retail sales market, as well as a diverse network of business suppliers and complementary industries. Some of the City's top priorities include attracting and retaining knowledge workers, increasing educational attainment and employment skills among Philadelphians, attracting real estate development, and promoting Philadelphia as a desirable location for business, and fostering equitable and inclusive growth.

According to the 2010 U.S. Census, the City increased its population by 0.7% to 1.53 million residents in the ten years from 2000 to 2010, ending six decades of population decline. Although the increase was modest, it was an indicator of more recent growth and development in Philadelphia. From 2010 to 2019, the City increased its population by 3.6% to 1.584 million residents. As described below, the 25 to 39 year-old age group is the largest age group in Philadelphia.

Given the City's strategic geographical location, relative affordability, diversified economy, cultural and recreational amenities, and its growing strength in key industries, Philadelphia is well-positioned to attract new businesses and investment over the coming years. For more information on the fiscal strategies of the City and related challenges, see APPENDIX A – "OVERVIEW – Fiscal Health of the City – COVID-19."

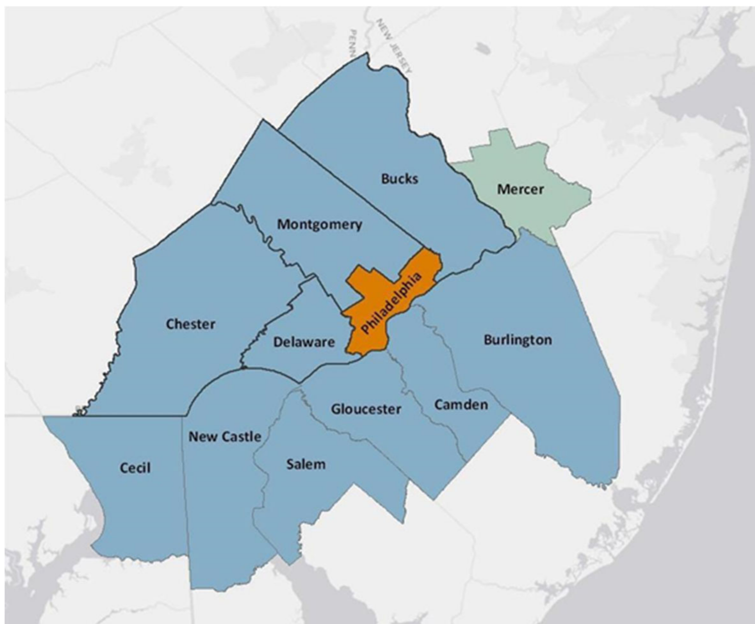
Geography

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

Philadelphia Metropolitan Statistical Area (the "MSA"), highlighted in blue in Figure 1, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of approximately 5,118 square miles with approximately 6,102,434 residents according to 2019 estimates by the U.S. Census Bureau.[1]

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

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



Source: 2009 TIGER County Shapefiles

Strategic Location

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

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

Population and Demographics

Philadelphia is the nation's sixth most populous city, with 1.584 million residents, based on 2019 estimates. The 2000 and 2010 U.S. Census reflect the City's first population gain in 60 years. The City's population reached its nadir in 2006 with 1.45 million residents. Philadelphia's population has increased by 93,354 residents from 2006 – 2019, or by 6.4%.

In 2019, 19.2% of Philadelphia's population was comprised of "millennials," or those within the 25 to 39 year-old age bracket. This demographic group tends to be better educated than the City's and the nation's adult population as a whole. In 2019, 44.8% of 25- to 34-year-olds in Philadelphia held a bachelor's degree or higher, while only 36.9% of 25 to 34-year-olds in the United States held a bachelor's degree or higher. The City's many universities, diverse employment opportunities, and relative affordability are likely reasons for Philadelphia's large millennial population.

Philadelphia is also a highly diverse city in terms of race and ethnicity. In 2019, 40.1% of the population identified as Black or African American, 34.2% identified as white, 7.5% identified as Asian, and 0.3% identified as some other race. Additionally, 15.2% of the population identified as Hispanic or Latino/a.

Table 1
Population: City, MSA, Pennsylvania & Nation

	1990	2000	2010	2019	Percent Change 2000 - 2010	Percent Change 2010 - 2019
Philadelphia	1,585,577	1,517,550	1,528,427	1,584,064	0.7%	3.6%
Philadelphia-Camden-Wilmington MSA	5,435,468	5,687,147	5,972,049	6,102,434	5.0%	2.1%
Pennsylvania	11,881,643	12,281,054	12,712,343	12,801,989	3.5%	0.7%
United States	248,709,873	281,421,906	309,348,193	328,239,523	9.9%	6.1%

Source: U.S. Census Bureau, Population Estimates 2019, Census 2010, Census 2000, Census 1990.

In 2019, Philadelphia exceeded many selected peer cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Selected peer cities (as shown in Table 2) reflect characteristics consistent with Philadelphia, such as geography, socio-economic statistics, industrial legacies, or port facilities. Among these cities, Philadelphia had the fourth highest percentage of its population enrolled in higher education and the fifth largest higher education population.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Table 2
2019 Total Number of Students, as a Percent of Total Population of Selected Cities, Ranked by Total Number of Students Enrolled in Higher Education

City	Total Number of Students Enrolled in School (all years)	Total Number of Students Enrolled in Higher Education	Percent of All Students Enrolled in Higher Education	Percent of Total Population Enrolled in Higher Education
United States	**80,456,620**	**21,829,308**	**27.1%**	**6.9%**
Los Angeles, CA	986,899	345,341	35.0%	8.0%
Chicago, IL	638,783	201,229	31.5%	7.8%
Houston, TX	598,084	155,540	26.0%	7.0%
San Diego, CA	369,241	148,933	40.3%	10.8%
Philadelphia, PA	**396,145**	**131,556**	**33.2%**	**8.6%**
San Antonio, TX	411,357	109,212	26.5%	7.3%
Boston, MA	194,087	106,444	54.8%	15.8%
Phoenix, AZ	417,360	92,052	22.1%	5.7%
Washington, D.C.	168,418	70,489	41.6%	10.4%
Baltimore, MD	141,485	48,655	34.4%	8.5%
Milwaukee, WI	167,904	47,736	28.4%	8.4%
Memphis, TN	162,556	41,831	25.7%	6.7%
Detroit, MI	166,103	35,628	21.4%	5.5%
Cleveland, OH	94,952	27,843	29.3%	7.6%

Source: 2019 American Community Survey, 1-Year Estimates.

ECONOMIC BASE AND EMPLOYMENT

The Philadelphia Economy

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

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

Key Industries

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

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

Table 3

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

Industry	Philadelphia County to the US	Pennsylvania to the US
Educational Services	4.41	1.59
Health Care and Social Assistance	1.87	1.32
Professional and Technical Services	1.29	0.96
Management of Companies and Enterprises	1.06	1.39
Finance and Insurance	1.05	1.11
Other Services, Except Public Administration	0.97	1.01
Arts, Entertainment, and Recreation	0.96	0.95
Transportation and Warehousing	0.95	1.20

Source: Bureau of Labor Statistics: June 2020 Employment Location Quotient, Quarterly Census of Employment and Wages

The concentration of educational services not only provides stable support to the local economy, but also generates a steady and educated workforce, fueling the City's professional services and healthcare industries. As of 2019, there were 128,400 Philadelphia residents between the ages of 25 and 34 with college degrees, and a 2019 Campus Philly report found that 54% of recent graduates in the Greater Philadelphia area have remained in the area, outpacing the retention rate of Boston (42%).

The City is also capitalizing on the region's assets to become a leader in research generated by life sciences and educational institutions. Several sites now foster life science incubator facilities, including University City Science Center, The Wistar Institute, University of Pennsylvania ("Penn"), and Drexel University. University Place Associates (UPA) is developing a strategic collaboration to curate a 240,000 square foot building to be dedicated to supporting the life sciences industry with state-of-the-art laboratory/office space in the heart of Philadelphia's University City District. Johnson & Johnson utilizes Pennovation Works as the site for JPOD, an interactive, high-tech conference space. In June 2019,

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

Pennovation Works announced its next phase, a $35 million project to renovate the existing building into lab-related space. When complete, the four-story, 73,400-square-foot structure will have 65,000 square feet of wet lab space. Penn's Penn Center for Innovation and Temple University's Office of Technology Development and Commercialization are two of several organizations driving tech transfer and commercialization of innovations developed at Philadelphia's major research institutions. The Cambridge Innovation Center, in partnership with Biolabs, occupies part of uCity Square, which includes state-of-the-art wet lab and shared working space. The project expanded the one million square feet in facilities offered by the University City Science Center to six million square feet, with a projected investment of over $1 billion. It is expected to be completed in 2027.

Employment

Table 4 shows non-farm payroll employment in the City over the last decade by industry sectors. In the past 10 years, growth has occurred in Mining, Logging, and Construction; Professional and Business Services; Education and Health Services; and Trade, Transportation, and Utilities. These sectors provide stability to the City's overall economy. The Leisure and Hospitality sector had demonstrated strong growth until contracting in 2020. Such contraction can be attributed to the COVID-19 pandemic.

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

Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	% Change 2010-2020
Leisure and hospitality	58.4	60.6	63.2	64.8	66.9	68.5	70.8	73.1	74.3	76.7	48.6	-16.8%
Mining, logging, and construction	10.0	10.0	10.2	10.4	11.0	11.5	12.0	12.1	12.6	12.5	11.8	18.0%
Professional and business services	81.9	83.3	84.4	86.7	88.6	91.2	95.2	97.4	99.6	103.9	100.2	22.3%
Education and health services	202.4	206.6	208.4	209.7	213.2	217.3	223.8	230.2	238.2	242.8	236.5	16.8%
Other services	26.5	26.4	26.8	26.9	26.8	27.1	27.8	27.8	28.3	28.5	25.4	-3.0%
Trade, transportation, and utilities	86.5	87.3	88.8	89.4	90.9	92.1	92.5	92.3	92.8	93.5	91.3	5.5%
Financial activities	42.6	41.6	41.0	41.1	41.7	42.3	42.4	41.6	42.5	43.1	42.5	-0.2%
Information	12.2	12.0	12.0	11.5	11.5	11.8	11.6	11.6	12.1	12.2	11.7	-4.1%
Manufacturing	24.7	23.7	22.9	21.8	21.5	21.0	20.5	20.2	19.9	19.4	17.9	-27.5%
Private Sector Total	*545.2*	*551.5*	*557.7*	*562.3*	*572.1*	*582.8*	*596.6*	*606.3*	*620.3*	*632.6*	*585.9*	7.5%
Government	112.1	109.0	105.3	103.5	102.2	101.6	101.3	102.2	103.7	105.0	107.1	-4.5%
Total	***657.4***	***660.4***	***662.9***	***665.9***	***674.3***	***684.4***	***698.0***	***708.6***	***724.0***	***737.6***	***693.0***	***5.4%***

Source: Bureau of Labor Statistics, 2020; figures for 2020 are preliminary; totals may not sum due to rounding.
[1]Includes person employed within the City, without regard to residency.

Table 5
Philadelphia Change in Share of Employment Sectors[1]
(Ranked by Percent Change of Share)

Sector	Share of Total Employment 2010	Share of Total Employment 2020	Change 2010-2020
Education and health services	31.0%	34.1%	3.1%
Professional and business services	12.5%	14.5%	1.9%
Mining, logging, and construction	1.5%	1.7%	0.2%
Trade, transportation, and utilities	13.2%	13.2%	-0.1%
Information	1.9%	1.7%	-0.2%
Other services	4.1%	3.7%	-0.4%
Financial activities	6.5%	6.1%	-0.4%
Manufacturing	3.8%	2.6%	-1.2%
Government	17.2%	15.5%	-1.7%
Leisure and hospitality	8.9%	7.0%	-1.9%
Total	**100.0%**	**100.0%**	**0.0%**

Source: Bureau of Labor Statistics, 2020; figures for 2020 are preliminary; totals may not sum due to rounding.
[1] Includes persons employed within the City, without regard to residency.

Bureau of Labor Statistics data show that in 2020, the Education and Health Services, Professional and Business Services, Trade, Transportation and Utilities, and Leisure and Hospitality sectors collectively represented 69% of total employment in the City for the year. From 2010 to 2020, Philadelphia gained 40,700 private sector jobs.

Unemployment

Although Philadelphia has recently narrowed the gap between its unemployment levels and the national unemployment levels, the effects of the 2007-2009 recession on unemployment endured longer in Philadelphia than in many other parts of the country.

As shown in Table 6, employment gains in the latter part of 2013 through 2019 resulted in a decline in Philadelphia's unemployment rate from an annual average high of 10.9% in 2012 to 5.2% in 2019. However, the economic impact of the continuing COVID-19 pandemic reversed those gains in 2020.

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

Table 6
Unemployment Rate in Selected Geographical Areas
(Annual Average 2010-2020)

Geographical Area	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Change in rate from 2010-2020
United States	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4	3.9	3.7	8.1	-1.5
Pennsylvania	8.5	7.9	7.8	7.4	5.9	5.3	5.4	4.9	4.3	4.1	9.2	0.7
Philadelphia-Camden-Wilmington MSA	8.8	8.5	8.4	7.8	6.2	5.4	5.1	4.7	4.2	3.9	9.2	0.4
Philadelphia	10.6	10.7	10.9	10.3	8.1	7.1	6.8	6.2	5.5	5.2	12.2	1.6

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics, 2020.

Principal Private Sector Employers in the City

Table 7 lists the 20 largest private employers that are based in Philadelphia. Penn and Thomas Jefferson University and Jefferson Health top this list.

Fortune 500 companies headquartered or maintaining a major presence in Philadelphia include the Comcast Corporation and the Aramark Corporation. Three Fortune 1000 companies are also headquartered within the City: FMC Corporation, Urban Outfitters, and Carpenter Technology.

Table 7
Largest Private Employers Based in Philadelphia
Ranked by Number of Local Employees(1)

Employer	Local Employees
University of Pennsylvania and Health System	46,554
Thomas Jefferson University and Jefferson Health	32,000
Children's Hospital of Philadelphia	22,051
Comcast Corp	17,607
Drexel University	9,347
Independence Health Group	8,210
Wells Fargo Bank	6,023
Einstein Healthcare Network	4,768
Accenture	2,100
Deloitte	1,825
Rivers Casino	1,680
Ernst & Young LLP	1,482
Saint Joseph's University	1,341
KPMG	1,274
Burns' Family Neighborhood Markets	1,095
LaSalle University	930
Jacobs	892
University of the Arts	826
Janney Montgomery Scott	825
Fox Rothschild LLP	708
Total	**161,538**

1 Source: Philadelphia Business Journal, 2020 Book of Lists (published in December 2019)

Hospitals and Medical Centers

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

Major research facilities are also located in the City, including those located at its universities and medical schools: Children's Hospital of Philadelphia, the Hospital of the University of Pennsylvania, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. Philadelphia is home to two of the nation's 71 National Cancer Institute ("NCI")-designated Comprehensive Cancer Centers (the Abramson Cancer Center at the University of Pennsylvania and Fox Chase Cancer Center, which is part of the Temple University Health System). Additionally, Philadelphia is also home to two NCI-designated Cancer Centers (Kimmel Cancer Center and The Wistar Institute Cancer Center).

Penn Medicine University of Pennsylvania Health System

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

Children's Hospital of Philadelphia Expansion

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

Temple University Hospital, Inc.

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

Thomas Jefferson University and Jefferson Health

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

Einstein Healthcare Network

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

In September 2018, Einstein Healthcare Network and Thomas Jefferson University announced a merger agreement. The entities are expected to close the transaction in 2021.

Educational Institutions

The MSA plus Mercer County, New Jersey, has the second largest concentration of undergraduate and graduate students on the East Coast, with approximately 100 degree granting institutions of higher education and a total enrollment of over 434,000 full and part-time students. Approximately 131,556 students lived within the geographic boundaries of the City in 2019. Included among these institutions are Penn, Temple University, Drexel University, St. Joseph's University, the Community College of Philadelphia and LaSalle University. Within a short drive from the City are such schools as Princeton University, Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University.

University of Pennsylvania

Penn, the first university in the U.S., founded in 1740, and a prominent Ivy League institution, is located in West Philadelphia. In the fall of 2019, more than 22,300 full-time undergraduate, graduate and professional full-time students attended Penn, 5,333 of whom are international students. Approximately 4,300 part-time students were enrolled. As of the fall 2019, Penn had a total workforce of over 18,000 faculty and staff, and the University of Pennsylvania Health System had a workforce of 23,275 employees. In September 2016, Penn opened Pennovation Works, a 55,000 square foot business incubator and laboratory that houses researchers, innovators, and entrepreneurs for the commercialization of research discoveries.

Penn has undergone significant expansion in the last decade and has a growing endowment. Since 2015, Penn, and related third-party developers, have spent nearly a billion dollars on new buildings and renovations. Penn and the University of Pennsylvania Health System have a significant combined economic impact on the City and the Commonwealth, with such Penn entities generating $1 out of every $20 of Philadelphia's General Fund and one out of every nine jobs in the City.

Penn is consistently one of the largest annual recipients of funding from the National Institutes of Health.

Drexel University

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

Temple University

Temple University ("Temple"), founded in 1884, has undergone a significant transformation over the past three decades from a university with a mostly commuter-based enrollment to one in which on and near-campus housing is now in high demand. Temple features 17 schools and colleges, eight campuses, hundreds of degree programs and nearly 40,000 students.

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

Thomas Jefferson University

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

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

Community College of Philadelphia

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

The College enables students to embark on a smart path to a bachelor's degree program, with transfer agreements and partnerships to assist in the transition. In the 2019-20 academic year, approximately 24,800 students took credit and noncredit courses. The College is embarking on an expansion of its West Philadelphia Campus, to expand its Automotive Center and to establish a Workforce Campus with a new $33.5 million facility.

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

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

Beginning in 2021, the College is offering the Octavius Catto Scholarship (the "Catto Scholarship"), which is a new anti-poverty initiative designed to make education available to students by providing funding and support for tuition and fees, costs associated with books, food, transportation, benefits, child care, and housing. The Catto Scholarship is available to graduates of a high school in Philadelphia (public, charter, private, parochial), a Pennsylvania state cyber charter school, or a home school program. Over the next five years, the City projects that $54 million will be spent on Catto Scholarships.

Family and Household Income

Table 8 shows median family income, which includes related people living together, and Table 9 shows median household income, which includes unrelated individuals living together, for Philadelphia, the MSA, the Commonwealth and the United States. Over the period 2009-2019, median family income for Philadelphia increased by 19.9% (see Table 8), while median household income increased by 28.3% over the period 2009-2019 as a result of an influx of higher income households (see Table 9).

Table 8
Median Family Income* for Selected Geographical Areas, 2009-2019
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2009	$45.70	$76.90	$62.20	$61.10	74.8%
2010	$43.10	$74.50	$61.90	$60.60	71.1%
2011	$42.70	$75.70	$63.30	$61.50	69.4%
2012	$44.30	$77.00	$65.10	$62.50	70.9%
2013	$44.60	$78.20	$66.50	$64.00	69.7%
2014	$47.00	$80.60	$67.90	$65.90	71.3%
2015	$49.30	$83.00	$70.20	$68.30	72.2%
2016	$50.30	$84.80	$72.30	$71.10	70.7%
2017	$50.40	$86.20	$72.70	$70.90	71.1%
2018	$55.10	$90.43	$77.49	$76.40	72.1%
2019	$54.78	$94.79	$81.08	$80.94	67.7%
Change 2009-2019	19.9%	23.3%	30.4%	32.5%	

* Includes related people living together.
Source: 2019 American Community Survey 1-Year Estimates

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Table 9
Median Household Income* for Selected Geographical Areas, 2009-2019
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2009	$37.00	$60.10	$49.50	$50.20	73.7%
2010	$34.40	$58.10	$49.30	$50.00	68.8%
2011	$34.20	$58.30	$50.20	$50.50	67.7%
2012	$35.40	$60.10	$51.20	$51.40	68.9%
2013	$36.80	$60.50	$52.00	$52.30	70.4%
2014	$39.00	$62.20	$53.20	$53.70	72.6%
2015	$41.20	$65.10	$55.70	$55.80	73.8%
2016	$41.40	$66.00	$56.90	$57.60	71.9%
2017	$41.00	$66.30	$57.00	$57.70	71.1%
2018	$46.12	$70.75	$60.91	$61.94	74.5%
2019	$47.47	$74.53	$63.46	$65.71	72.2%
Change 2009-2019	28.3%	24.0%	28.2%	30.9%	

* Includes unrelated people living together.
Source: 2019 American Community Survey 1-Year Estimates

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Cost of Living Index

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

Table 10
2019 Cost of Living Index
Philadelphia Indexed to 100

Urban Area	Cost of Living Index
New York- Manhattan	215
San Francisco	178
D.C.	144
Seattle	142
Boston	136
Los Angeles-Long Beach	132
Chicago	109
Baltimore	102
Denver	100
Philadelphia	**100**
Dallas	97
Pittsburgh	93
Atlanta	93
Detroit	90
Austin	90

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

Housing

Since 2000, Philadelphia's housing stock has undergone a significant revitalization, particularly in the neighborhoods within and around City Center, its downtown core. The period between the 2000 and 2010 censuses was the first wherein Philadelphia experienced a net population increase since 1940 to 1950, due both to rapid growth in the number of higher income households in these core neighborhoods and to a significant influx in the foreign-born population in more peripheral neighborhoods of the City.

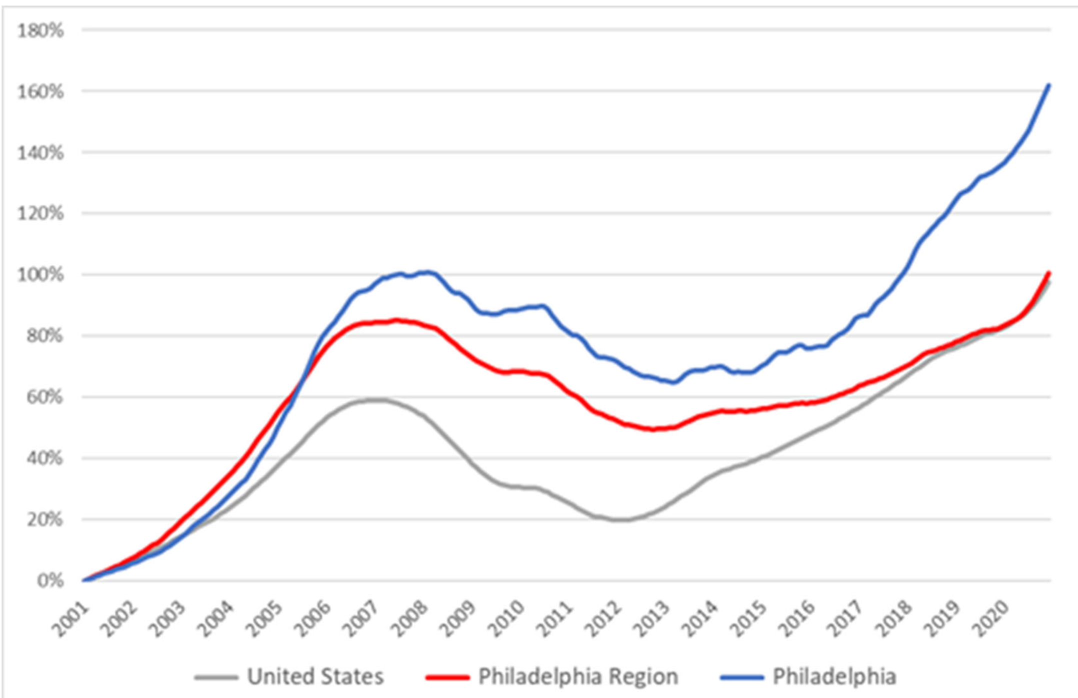
The City's population growth has driven significant new construction and investment in many of its neighborhoods resulting in increases in the value of the City's housing stock. Most housing indicators for Philadelphia indicate an upward outlook, in terms of prices, construction, and sales, for the near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

The total housing stock, measured by the number of units, increased by 3.2% from 2010-2019, for a total of 691,700 in 2019.[3] This increase of 21,600 units is the result of a net increase of 16,900 multifamily units, 3,600 single-family homes, and 1,100 "other" units (such as mobile homes and boats). The homeownership rate in the City in 2019 was 52.3%, which represents a decline from 54.1% in 2010.[3] Accordingly, properties in the City have continued to command higher rents, with the median monthly rent in June 2018 equal to $1,214, representing a 10.9% increase over the prior five-year period.[4]

Home Prices

As shown in the chart below, after eight years of moderate house price deflation following the peak of the 2007 recession, Philadelphia's housing market began posting rapid increases in prices, citywide, starting in 2013. In 2017, home values in Philadelphia recovered to their pre-recession peak and have continued to climb to 31% above that peak as of December 2020. The following chart uses the Home Value Index to chart changes in home values in Philadelphia, the Philadelphia region, and the U.S. as a whole over the 20-year period from January 2001 through December 2020.[5]

Percent Change in Median Nominal Home Value (Zillow Home Value Index), 2001-2020



Source: Zillow Research, ZHVI Time Series

Over this entire period, Philadelphia's median home prices have been lower than that of the region or the country as a whole. However, because the rate of growth in the City's home values matched or outpaced these comparison regions and the housing market in Philadelphia retained a much greater share of its pre-recession gains, it has significantly closed that gap. Whereas the median home in Philadelphia was 59% that of the US in 2001, it was 78% of the national average by the end of 2020.

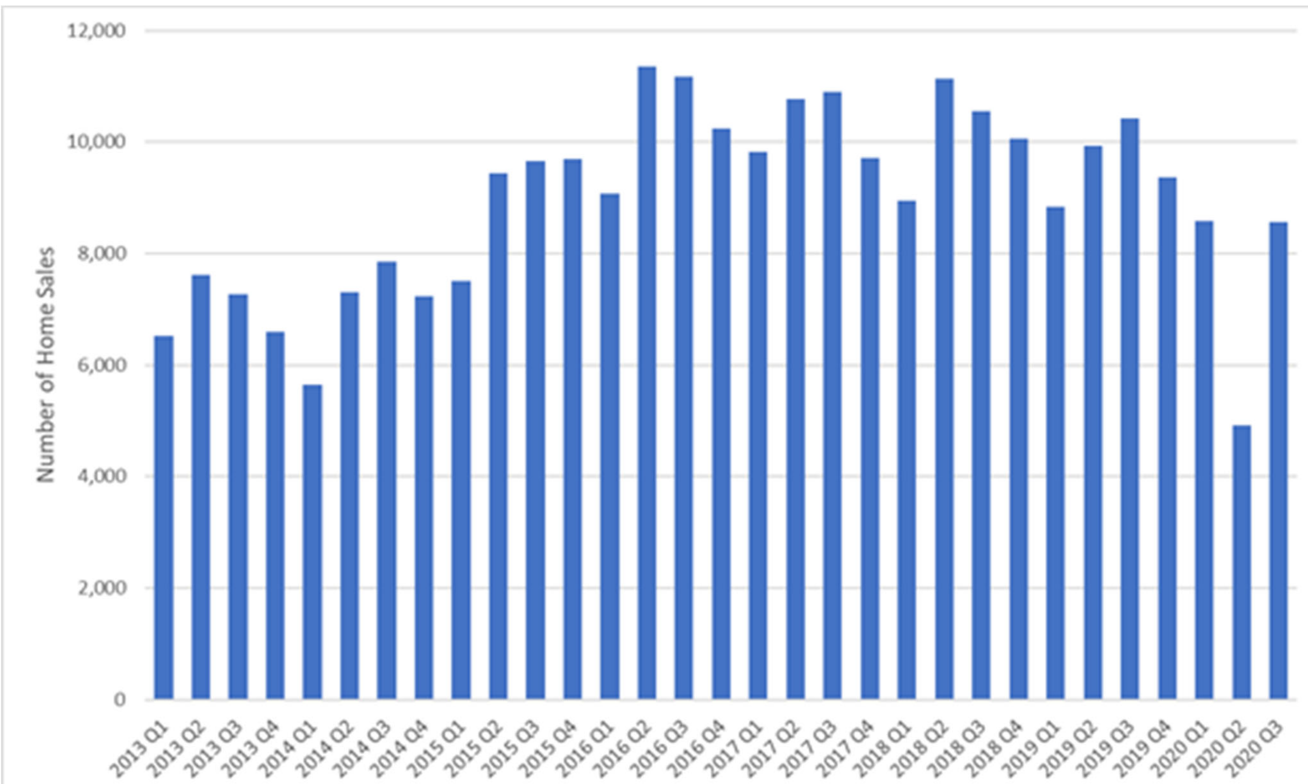
[3] US Census Bureau, American Communities Survey, 1-Year Survey
[4] Zillow Research, ZRI Time Series
[5] Zillow Research, ZHVI Time Series

Philadelphia's housing market has surged in recent years, such that, in nominal terms, housing values within the City have nearly tripled since 2001, a rate of growth that is more than 66% greater than the rest of the country.

Home Sales

Another indicator of the housing market's recovery is home sales. The following chart shows quarterly home sales in Philadelphia since 2013. Like prices, home sales have steadily increased from a post-2007 recession low of less than 14,542 sales in 2011 to almost triple that (38,540) in 2019 (the last full year on record). This trend reflects a recovery of the City's housing market and, except for a brief dip associated with the temporary freeze of real estate transactions associated with COVID-19, is continuing as the significant increment of new housing construction (described below) is absorbed.

Quarterly Home Sales in Philadelphia, Q1 2013 through Q3 2020

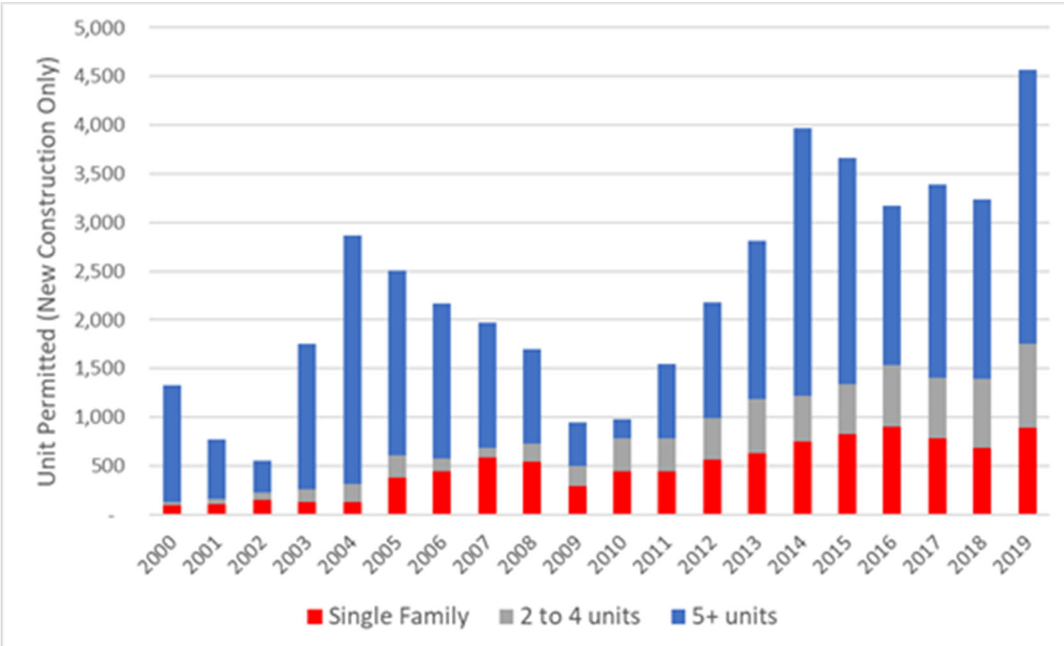


Source: Philadelphia Department of Revenue

Home Construction

Home building activity in Philadelphia has also made significant progress since hitting its recessionary low in 2009. The following chart shows the number of newly constructed units being added to Philadelphia's housing stock, as represented by the number of building permits issued for such units, from 2000 through 2019.

Building Permits Issued in Philadelphia, New Construction Only
(Number of Units by Building Type), 2000-2019



Source: US Census, Building Permits Survey

Prior to 2000, construction of new housing units in Philadelphia was low by both absolute and relative measures, averaging only 507 units per year in the decade from 1990 through 1999. However, since 2003, permits for new construction have not been for less than 947 units in any single year, including during the nadir of the 2007 recession. In 2019, permits were issued to approve the construction of more than 4,500 new housing units in Philadelphia—an all-time high. Notably, these data do not include additions or substantial alteration to existing buildings, which together account for nearly a third of all new housing units in Philadelphia (based on permit issuance data from the Department of Licenses and Inspections from 2013-2017).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

Office Market

The City currently has approximately 48.0 million square feet of office space in the Central Business District ("CBD"), with an additional 929,000 square feet under construction according to Jones Lang LaSalle's ("JLL") statistics for the fourth quarter of 2020.

Due to the COVID-19 pandemic, the average direct asking rental rates in the City's CBD dropped to $28.63 per square foot in the fourth quarter of 2020, with a vacancy rate of 15.4%. Prior to the COVID-19 pandemic, the City's CBD enjoyed rising rents with low overall total vacancy. Its suburban counterparts have seen slightly higher overall total vacancy and commensurate rents due to the pandemic, at 16.9% and $28.62 per square foot.

Table 11 shows comparative overall fourth quarter 2020 office vacancy rates for selected office markets.

Table 11
Total Office Vacancy Rates of Selected Office Markets
Fourth Quarter 2020

Market	Vacancy Rate
Charlotte	11.8%
New York	12.1%
Austin	13.0%
San Diego	13.4%
San Francisco	13.6%
Seattle	14.7%
Boston	14.9%
Philadelphia	**15.4%**
Baltimore	15.8%
San Antonio	16.1%
Los Angeles	16.3%
United States CBD, All Markets	17.1%
Phoenix	18.2%
Washington, DC	18.7%
Atlanta	19.4%
Chicago	19.4%
Detroit	20.1%
Cleveland	20.3%
Dallas	23.2%
Houston	23.5%

Source: Jones Lang LaSalle, National CBD Data, Fourth Quarter 2020

ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION

City of Philadelphia Economic Development Mission and Goals

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

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

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

City and Quasi-City Economic Development Agencies and Related Programs

City of Philadelphia Department of Commerce

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

City of Philadelphia Department of Planning and Development

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

Philadelphia Industrial Development Corporation ("PIDC")

PIDC is a non-profit organization founded by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce in 1958. PIDC offers flexible financing tools, a targeted portfolio of industrial and commercial real estate, and expertise to help clients invest, develop, and grow in Philadelphia. PIDC also structures and invests in public-private partnerships for key City policy areas and development priorities. Over the past 62 years, PIDC and its affiliates have settled over 7,500 transactions, including more than $17 billion in financing that has leveraged over $30 billion in total investment and assisted in creating and retaining hundreds of thousands of jobs in Philadelphia. Its direct loan and managed third-party portfolio at year-end 2019 was more than $518 million, representing 500 loans.

Philadelphia Redevelopment Authority ("PRA")

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

Philadelphia Land Bank ("PLB")

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

In the PLB's most recent update to its strategic plan (June 2019), certain key achievements were highlighted, including, among other things, (i) an increase in acquisitions (up from 21 in Fiscal Year 2017 to 276 in Fiscal Year 2018 and 463 through the second quarter of Fiscal Year 2019); (ii) an increase in dispositions (up from 18 properties conveyed in Fiscal Year 2017 to 78 conveyed in Fiscal Year 2018 and 132 properties conveyed through the second quarter of Fiscal Year 2019); and (iii) formalizing the process for executing license agreements.

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

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

The Philadelphia Housing Authority ("PHA")

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

Rebuilding Community Infrastructure Program ("Rebuild")

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

Key Commercial Districts and Development

Over the last two decades, the City's economic development agencies and others have spurred significant economic revitalization throughout the City. In particular, a number of geographic areas have experienced concentrated developments: Philadelphia's Historic District, Avenue of the Arts, North Broad Street, and the Benjamin Franklin Parkway. Many of these developments, such as a significant increase to Philadelphia's hotel room inventory in Center City and expansion of the Pennsylvania Convention Center, have been key to the growth of Philadelphia's leisure and hospitality sector. Several key areas within the City have been instrumental in the economic and commercial development of Philadelphia over the past twenty-five years and the population growth since 2000. However, as noted herein, COVID-19 has caused a downturn in economic development and the tourism and hospitality industries in the City. While the City's economic development agencies expect continued commercial development in key commercial districts, the length and severity of a COVID-19-related downturn are uncertain and are being closely monitored.

Recent and current developments in the key commercial districts described below are listed in Table 12.

Center City

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

Old City

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

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

University City

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

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

The Navy Yard

The Navy Yard is a 1,200 acre mixed-use office, research and industrial campus with over 15,000 people working on site across 170 companies. The Navy Yard has diverse tenants such as Philly Shipyard, one of the world's most advanced commercial shipbuilding facilities; the global headquarters for retailer Urban Outfitters, Inc.; a 208,000 square foot, double LEED Platinum corporate office for pharmaceutical company GlaxoSmithKline; and a LEED Silver bakery facility for the Tasty Baking Company (now, Flowers Food). More than 7.5 million square feet of space is currently occupied or in development with significant additional capacity available for office, industrial, retail and residential development.

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

Since 2000, the Navy Yard has leveraged more than $170 million in publicly funded infrastructure improvements to spur more than $850 million in new private investment.

Table 12
Recently Completed Projects or Projects Under Construction in the Key Commercial Districts

Project Name, by Neighborhood	Project Type	Cost in Millions	Est. Completion Date
CENTER CITY			
LVL Broad and Spring Garden	Mixed/Residential	$180	2022
Jefferson Health Specialty Care Pavillion	Medical	$762	2024
Morgan Lewis Office Tower (23rd & Market)	Office	$200	2021
Aramark Headquarters (2400 Market)	Office	$230	*Completed 2019*
W Hotel/Element	Hotel	$359	*Completed 2020*
The Gallery Mall (Market Street)	Commercial	$350	*Completed 2020*
1911 Walnut	Residential	$300	2022
Hanover North Broad	Mixed Use	$50	*Completed 2020*
SLS Residences	Residential	$253	2022
Police Headquarters in Inquirer Building	Public	$250	2021
1620 Sansom Street	Residential	$200	2021
2301 Arch Street (Phases I and II)	Retail/Residential	$160	2021
204 S. 12th Steet	Residential	$180	2023
123 S. 12th Street	Residential	$225	2023
NAVY YARD			
Wuxi (4751 League Island Blvd)	Office/Lab	$78	*Completed 2020*
Iovance (300 Rouse Blvd)	Office/Lab	$125	2021
OLD CITY			
I-95 Overcap Park	Public	$225	2024
OTHER NEIGHBORHOODS			
13th and Fairmount	Retail/Residential	$190	2021
501 Spring Garden	Retail/Residential	$160	2023
300 N. Christopher Columbus Ave	Residential	$200	2023
Festival Pier (501 N. Christopher Columbus)	Residential	$250	2023
UNIVERSITY CITY			
3151 Market St (Schuylkill Yards)	Office/Medical	$300	2023
CHOP Schuylkill Ave Expansion (Phase 2)	Medical	$600	2024
4601 Market	Office/Medical	$250	2021
Penn Health Tower	Medical	$1,500	2021
CHOP Berger Center Expansion	Medical	$492	2021
TOTAL		**$8,069**	

Source: Philadelphia Department of Planning and Development.

Waterfront Developments

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

Delaware River Waterfront Corporation (the "DRWC")

The Delaware River has historically been a center of activity, industry, and commerce, bounded at its north and south ends by active port facilities. The City adopted a Master Plan for the central Delaware River in 2011. DRWC, in partnership with the City, is a nonprofit corporation that works to transform the central Delaware River waterfront into a vibrant destination for recreational, cultural, and commercial activities. Over the last ten years, DRWC has successfully opened four adaptive reuse park projects built on former pier structures, including the newly-renovated Cherry Street Pier in 2018. I-95 Overcap Park will cap a section of I-95 and connect Old City Philadelphia with the Delaware River. The proposed 11-acre multimillion-dollar park project is in the planning stages. Construction of the park is anticipated to begin in the fall of 2022 and be completed in 2026.

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

Schuylkill River Development Corporation (the "SRDC")

Redevelopment along the Schuylkill River is managed by a partnership among SRDC, the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, Commonwealth, City, and private agencies to coordinate, plan and implement economic, recreational, environmental and cultural improvements, and tourism initiatives on the Schuylkill River. From 1992 to 2017, $70 million was invested by SRDC, the City, and their partners along the tidal Schuylkill to create 3.65 miles of riverfront trails within 30 acres of premiere park space in the heart of the City, and has added amenities to the Schuylkill River Park such as floating docks, fishing piers, a composting toilet, and architectural bridge lighting. SRDC continues to work towards meeting its goal of creating and maintaining trails and green space along the tidal Schuylkill River in Philadelphia, such as the Christian to Crescent Connection. This trail section will connect neighborhoods on both sides of the Schuylkill River to a vast existing network of parks and trails, including the Schuylkill River trail, Fairmount Park, and the regional network of recreational trails and related facilities known as the Circuit. It will also provide those neighborhoods with a direct pedestrian and bicycle route to Center City's jobs and services. In addition, it will help complete Philadelphia's segment of the East Coast Greenway.

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

Casinos

Rivers Casino

Philadelphia's first casino, Rivers (originally SugarHouse), opened in September 2010. Rivers Casino sits on the Delaware River waterfront offering an array of slot machines, table games and dining options. Its operations also include a multi-purpose event space with waterfront views, restaurants, and a parking garage.

Cordish Live!

Live! (Live!) Casino & Hotel Philadelphia, which opened in January 2021, is a $700 million world-class hotel, gaming, dining and entertainment destination featuring 2,200 slot machines and 150+ live action table games, an upscale 200+ room hotel, a new 2,700-space parking garage, locally and nationally-recognized restaurants and live entertainment venues. The project is located in the heart of the Stadium District in South Philadelphia, immediately proximate to Xfinity Live!, The Cordish Companies' premier dining & entertainment district. The project creates the first comprehensive gaming, resort, entertainment and sports destination in the United States, making it a true regional destination

TOURISM AND HOSPITALITY

As noted herein, the City expects COVID-19 to have a wide-ranging economic impact on its various key commercial sectors, including tourism and hospitality. In 2020, there was a significant downturn in tourism and hotel stays in the City. Many of the statistics under the caption "TOURISM AND HOSPITALITY" are from periods before the COVID-19 pandemic and should be reviewed in such context. While Philadelphia had experienced a significant increase in tourism over the past decade, it is unclear at this time when, or if, such growth can be expected to resume once the pandemic is over.

Prior to COVID-19, the City hosted several high profile, global events, notably the papal visit from Pope Francis in 2015 and the Democratic National Convention in 2016. In April 2017, Philadelphia hosted the NFL Draft on the Benjamin Franklin Parkway in Center City, with an estimated attendance of more than 250,000. Prior to the pandemic, business and convention tourism, as well as leisure tourism, had shown consistent growth, setting a record-high for room revenue generated for lodging in 2019. The City is regularly listed as a top domestic and international destination in tourism publications.

The Philadelphia Convention and Visitors Bureau ("PHLCVB") books meetings, conventions and sporting events, and supports international marketing of Philadelphia to overseas markets. PHLCVB also books domestic group tours. Prior to the pandemic, the PHLCVB had 635 meetings, conventions, and sporting events booked, which were expected to result in a total of 3 million attendees consuming 3.6 million room nights. Some of these events have been cancelled, rescheduled, or postponed as a result of COVID-19.

Visit Philadelphia markets Philadelphia domestically, as well as in Canada and Mexico, to promote leisure travel. According to the Visit Philly 2020 Annual Report, from 1997 to 2019, Center City leisure hotel demand grew 331% to 1.1 million room nights. After growing consistently for more than a decade, Tourism Economics projects a 53% decline of leisure demand in 2020 to just over 500,000 room nights (as a result of COVID-19). The Visit Philly 2020 Annual Report includes projections that show leisure travel will recover faster than business and group travel. The report projects leisure demand to recover to 76% of 2019 levels in 2021 and further recover in 2022 to 96% of 2019 levels. Tourism Economics projects that it will take until 2023-2024 for the tourism and hospitality sector in the City to fully recover from COVID-19.

In recent years, Philadelphia has seen an influx in new hotel development, with numerous new developments underway or confirmed prior to the COVID-19 pandemic. Such development in the City has represented over $1 billion in investment. The number of hotel rooms available in the City in 1993 was 5,613, with occupancy at 65%. In 2019, two major hotels opened – the Four Seasons and Pod Philly – bringing the City's hotel room inventory to 17,279 rooms at year-end, with occupancy at 76.4%. While the development schedules for some hotel projects have been impacted by COVID-19, hotel projects in the pipeline could increase hotel room inventory by another 1,660 rooms.

Museum and Cultural Centers

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

Organizations like the Philadelphia Museum of Art, the Kimmel Center, FringeArts, and more than 430 smaller cultural organizations throughout the City help improve the quality of life for residents and visitors.

Avenue of the Arts (South Broad Street) Investments

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

The Benjamin Franklin Parkway

Complementing the Avenue of the Arts theater district developments, the Benjamin Franklin Parkway (the "Parkway") is considered the spine of Philadelphia's museum district. Designed by French architect Jacques Gréber, to emulate the Champs Elysées of Paris, the Parkway opened in 1929. It runs from the area of City Hall to the Philadelphia Museum of Art and is a central public space and tourist attraction. Key Parkway features include Love Park (which has undergone major renovations and was reopened in the spring of 2018), the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, The Barnes Foundation, the Free Library of Philadelphia, the Academy of Natural Sciences, the Swann Memorial Fountain, Sister Cities Park, Cathedral Basilica of Saints Peter and Paul on Logan Square, and numerous pieces of public art. In the winter of 2021, the City announced plans to move forward with a long-term plan for a major redesign of the Parkway, from the Art Museum to Logan Circle, to develop a world class public space and improve access for pedestrians and public gatherings. The City expects to select a final design plan by the spring of 2022.

In May 2021, renovations at the Philadelphia Museum of Art were completed. Such renovations came at a cost of more than $230 million and opened 90,000 square feet of new public space.

The Barnes Foundation, which opened on the Parkway in 2012, has been a welcome addition to the City's impressive roster of arts facilities and has had a significant impact on the City's leisure and hospitality industry. As of 2018, the Barnes has welcomed over 1.8 million visitors from all 50 states and 70 countries. With 18,000 household memberships, it is ranked among the top institutions of its kind in the country.

Historic District

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

The Pennsylvania Convention Center

In 1993, with support from the Commonwealth, the Pennsylvania Convention Center (the "Convention Center") was completed, providing a total of 624,000 square feet of saleable space across its four exhibit halls, ballroom and banquet spaces. In 2011, a $786 million expansion, across 20 acres of central Philadelphia real estate, increased the facility to 2.3 million square feet. It is the largest single public works project in Pennsylvania history. In 2014, SMG began managing and operating the Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service. In 2019, hotel rooms booked related to events taking place at the Convention Center grew by 11% year-over-year.

During the COVID-19 pandemic, the Convention Center was a mass vaccination site in the City as it ramped up its vaccination efforts for Philadelphia residents.

North Broad Street

North Broad Street serves as a main thoroughfare, spanning four miles from City Hall to Germantown Avenue. It is also the long-time home of the Pennsylvania Academy of the Fine Arts (PAFA) and Temple University. The corridor is experiencing revitalization, which includes improvements to the Lenfest Plaza at the Pennsylvania Academy of Fine Arts, the opening of the Aloft Hotel, the re-opening of the Philadelphia Metropolitan Opera House (for performances), the revitalization of the Divine Lorraine (for residential purposes) and the Studebaker Building (for commercial purposes), and much more. Development continues to move north along Broad Street, with significant investment taking place to restore the Beury Building and the Uptown Theater, and to establish the North Station District, a transit-oriented, mixed-use development.

South Philadelphia Sports Complex

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

The South Philadelphia Sports Complex houses three professional sports facilities: The Wells Fargo Center opened in 1996 and is home to the Philadelphia Flyers (National Hockey League) and Philadelphia 76ers (National Basketball Association); Lincoln Financial Field opened in 2003 and is home to the Philadelphia Eagles (National Football League); and Citizens Bank Park opened in 2004 and is home to the Philadelphia Phillies (Major League Baseball). The Phillies and the Eagles are contractually obligated to play in Philadelphia until 2033 and 2034, respectively. Within the South Philadelphia Sports Complex is Xfinity Live!, a sports entertainment and dining complex. For information on casino development in the City and in the area near Xfinity Live!, see "ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – Casinos" herein.

Retail Market, Food and Dining

In the last five years, the City's retail market has grown substantially, attracting 90 national retailers. While the City's retail market generates more than $1 billion in annual retail demand, such figure is expected to increase as more than 1.4 million square feet of retail space is currently under construction.

Market East, an important commercial area between City Hall and the City's Historic District is experiencing significant development. New developments in Market East represent a $910 million investment that is creating a continuous shopping and dining experience from Independence Mall to the major Center City convention hotels, just east of City Hall. In late 2019, Fashion District Philadelphia opened to the public. A $420 million redevelopment project, the Fashion District is a unique retail development offering fashion, dining, entertainment, and arts and culture. The revitalization of this section of the City, containing a major transport hub, is expected to be transformative.

Complementing the rise of retail in Philadelphia, the City has experienced a revival of restaurant establishments, especially in Center City and Greater Center City, indicating an improved quality of life and vibrancy of those neighborhoods. Increased investment in Center City to beautify the area, as well as the City's support in making the area more welcoming to visitors and diners, has sparked a significant increase in the number of indoor/outdoor dining establishments throughout Center City, which now total over 1,058. During the COVID-19 pandemic, the City implemented an open streets initiative to facilitate outdoor restaurant dining options. Parts of certain streets were closed off to traffic and parking to allow neighborhood restaurants to expand outdoor seating options as they dealt with the COVID-19-related closures.

TRANSPORTATION

Public Transportation

<u>COVID</u>. The COVID-19 pandemic has had an unprecedented impact on the City's transit system. On an average day before COVID-19, people in the Philadelphia region made over a million trips on public transit to access jobs, shopping, medical appointments, school, and many other destinations. However, transit ridership was declining even before COVID-19. With the pandemic, transit ridership is now at historically low levels both in Philadelphia and across the world. While the City and regional transit agencies expect to continue to invest in the City's transit system, the economic challenges resulting from COVID-19 have severely reduced available funds for all types of public spending, including investments in transit.

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

A high-speed train line runs from southern New Jersey to Center City and is operated by the Port Authority Transit Corporation ("PATCO"), a subsidiary of the Delaware River Port Authority. On the average weekday, PATCO brings approximately 30,000 riders to Philadelphia.

New Jersey Transit operates 19 different bus routes and the Atlantic City Train Line, all of which serve to connect Philadelphia and New Jersey. On the average weekday, the New Jersey Transit bus routes bring approximately 4,000 riders to Philadelphia and the Atlantic City Line brings approximately 1,400 riders to Philadelphia.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to other major cities and markets in the United States. According to Amtrak, Philadelphia's 30th Street Station is the third busiest station in the United States. Structural improvements of $30 million were recently completed to the station, and an additional $60 million restoration project is awaiting federal approval. SEPTA was recently awarded a $15 million federal grant towards a $37 million project to renovate the Market Frankford Line subway entrances at 30th Street, the busiest transit route in the Philadelphia region.

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

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

Philadelphia launched the Indego bike share program, sponsored by Independence Blue Cross, in April 2015. The system launched with 600 bicycles and 70 stations throughout the City from Temple University in North Philadelphia to Tasker Street in South Philadelphia and from the Delaware River on the east to 44th Street in West Philadelphia. Indego is the first bike share system in the United States to launch with a cash payment option for members. Over the past five years, the City expanded Indego to 1,400 bicycles and 141 bike share stations, with stations as far north as Diamond Street in North Philadelphia, down to the Navy Yard in South Philadelphia, and from the Delaware River in the east to 48th Street in the west. In 2019, electric-assist bicycles were added to the fleet and proved extremely popular with users – they were used approximately 4 times as often as standard bicycles. Over the course of the year, 742,000 trips were taken.

In 2020, the City of Philadelphia awarded a 10-year concessionaire contract to Bicycle Transit Systems, which is expected to include a significant expansion of the Indego program over the next 5 years with the total system size at completion expected to be 350 stations and 3,500 bicycles with a fleet of approximately 50% electric assist bicycles.

Southeastern Pennsylvania Transportation Authority

SEPTA operates facilities across the PMSA, encompassing approximately 2,200 square miles and serving approximately 4.1 million inhabitants. SEPTA operates service 24 hours a day, seven days a week, 365 days a year. A significant segment of the region relies on SEPTA for public transportation and annual SEPTA ridership totaled more than 292.9 million in Fiscal Year 2019.

SEPTA's operations are accounted for in three separate divisions: City Transit; Regional Rail; and Suburban Transit. The City Transit Division serves the City with a network of 89 subway-elevated, light rail, trackless trolley and bus routes, providing approximately 852,000 unlinked passengers trips per weekday. The Regional Rail Division serves the City and the local counties with a network of 13 commuter rail lines providing approximately 120,000 passenger trips per weekday.

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

Airport System

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

Philadelphia International Airport

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked the twentieth busiest airport in the United States, serving 33.0 million passengers in calendar year 2019. PHL is located approximately seven miles from Center City on approximately 2,598 acres.

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

Outside of the PHL terminal area, there are the following: a 14-story hotel, seven rental car facilities, a cell-phone lot, employee parking lots, and five public parking garages.

The current Airport-Airline Use and Lease Agreement (the "Airline Agreement") between PHL and the signatory airlines began July 1, 2015 and has a five-year term with options for two one-year extensions. The Airline Agreement has been extended through June 30, 2022.

The Airport currently has 15 airlines that have signed the Airline Agreement. American Airlines is the principal air carrier operating at the Airport, and the Airport serves as a primary hub in American Airlines' route system. In calendar year 2019, the Airport was American Airlines' fifth busiest hub and primary transatlantic gateway.

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

PHL has implemented a cargo expansion strategy, which includes the redevelopment of an existing cargo building and expansion of its relationships with other businesses involved in the cargo industry. In June 2021, PHL announced preliminary plans to expand its cargo facility footprint by approximately 135 acres, including approximately 800,000 square feet of new cargo building space and ten wide-body aircraft parking positions. PHL expects that such plan will involve soliciting private tenants to invest in the phased development of the project.

COVID-19. As with all airports in the United States, PHL has been acutely affected by interruptions in travel, reductions in passenger volumes and flights, as well as by the broader economic slowdown resulting from the COVID-19 pandemic.

Passenger Traffic. During the first eight months of Fiscal Year 2020, passenger traffic at the Airport increased by 5.5%. As a result of the COVID-19 pandemic, beginning in March 2020, passenger activity at the Airport decreased substantially. Fiscal Year 2020 enplaned passengers at the Airport were 11.9 million, which represented a 26.4% decrease compared to fiscal year 2019.

The low point for passenger volume at the Airport was April 2020. A modest recovery in passenger activity began in the summer of 2020, with growth stalling in the following fall and winter. Passenger activity increased in April 2021, reaching the highest levels for the Airport in the previous twelve months, as the recovery in demand for air travel began to accelerate.

Airport Operations. Airlines have reduced or suspended service at the Airport during the COVID-19 pandemic. By April 2020, foreign flag airlines Aer Lingus, Air Canada, British Airways, Icelandair, Lufthansa, and Qatar Airways had suspended all services to the Airport. British Airways resumed limited service between September 2020 and January 2021. Published airline schedules indicate British Airways resumed daily service to the Airport in June 2021. Qatar Airways resumed service to the Airport in September 2020, operating an average of four flights per week, as compared to daily service before the COVID-19 pandemic. The resumption of service to the Airport for Aer Lingus, Air Canada, Icelandair, and Lufthansa is not known at this time. All U.S. airlines serving the Airport prior to the pandemic have maintained some level of service, with the exception of Sun Country Airlines which suspended service to the Airport between September 2020 and April 2021. Published airline schedules are subject to change as airlines may delay resumption of service due to reduced demand for passenger travel or restrictions on cross-border travel. The foregoing information is subject to change, as the airline industry continues to recover from the COVID-19 pandemic.

The Airport anticipates airlines will continue to gradually increase capacity on existing routes and restart additional destinations assuming the continuation and/or expansion of existing vaccination programs and growing demand for domestic leisure travel.

Northeast Philadelphia Airport

PNE is located approximately ten miles northeast of Center City on approximately 1,118 acres. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. PNE currently has no scheduled commercial service. There are a variety of hangars (corporate and general aviation) at PNE. The Airport System's long-term capital program includes PNE improvement projects.

Port of Philadelphia

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

The Philadelphia Regional Port Authority, or PhilaPort, operates the Port. PhilaPort achieved a 7% increase in container volumes in 2020 and is the fastest growing container port on the East Coast. Such cargo levels represent a decade-long trend of growth for the Port.

The Port is well known for refrigerated cargo, which include grapes, bananas, pineapples, mangos, plantains, blueberries, and asparagus, among other items. This expertise has allowed for the rapid movement of all types of perishable cargo products. In 2020, PhilaPort saw a five-year historic high in forest product cargoes (up 14%), handling 928,000 tons. Containerized forest products were estimated to be 20,000 units. Forest products include packaging materials, lumber for home improvement projects, printing paper, healthcare and safety products, and personal hygiene goods.

In recent years, PhilaPort, along with the U.S. Army Corps of Engineers, completed the Delaware River Main Channel Deepening Project, a long-term project to deepen the main channel of the Delaware River from 40 to 45 feet. Such project was aimed at improving the Port's competitiveness by increasing container and auto capacity at the Port and increasing the Port's ability to handle wood pulp, a food grade commodity.

KEY CITY-RELATED SERVICES AND BUSINESSES

Municipal services provided by the City include: (i) police and fire protection; (ii) health care; (iii) certain welfare programs; (iv) construction and maintenance of local streets, highways, and bridges; (v) trash collection, disposal, and recycling; (vi) provision for recreational programs and facilities; (vii) maintenance and operation of the Water and Wastewater Systems; (viii) acquisition and maintenance of City real and personal property, including vehicles; (ix) maintenance of building codes and regulation of licenses and permits; (x) maintenance of records; (xi) collection of taxes and revenues; (xii) purchase of supplies and equipment; (xiii) construction and maintenance of the Airport System (see "TRANSPORTATION – Airport System"); and (xiv) maintenance of a prison system. Certain of these services are described in more detail below.

Water and Wastewater

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

The Water System service area includes the City and has one wholesale water service contract. Based on the 2020 U.S. Census Bureau estimate, the Water System served 1,584,064 individuals. As of June 30, 2020, the Water System served approximately 490,000 active customer accounts using approximately 3,100 miles of mains and approximately 25,000 fire hydrants.

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

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

The Wastewater System's service area includes the City and ten wholesale wastewater service contracts. Such service area totals 360 square miles, 130 square miles in the City and 230 square miles in suburban areas. Based on the 2020 U.S. Census Bureau estimate, the Wastewater System served 1,584,064 individuals that live in the City and ten wholesale contracts.

As of June 30, 2020, the Wastewater System served approximately 540,000 accounts, including approximately 60,000 stormwater-only accounts and ten wholesale contracts with neighboring municipalities and authorities and one corporation.

The Wastewater System consists of three water pollution control plants, the Northeast, Southwest and Southeast water pollution control plants (the "WPCPs"), 25 wastewater pumping stations, approximately 3,700 miles of sewers, and a privately managed centralized biosolids handling facility. It includes approximately 1,850 miles of combined sewers, 770 miles of sanitary sewers, 750 miles of stormwater sewers, 16 miles of force mains (sanitary and storm), and 330 miles of appurtenant piping. The three WPCPs processed a combined average of 484 MGD of wastewater in Fiscal Year 2020, have a 522 MGD combined average daily design capacity and a peak capacity of 1,059 MGD.

Gas Works

The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW is the largest municipally-owned gas utility in the nation, is responsible for the acquisition and storage of natural gas and is the sole distributer of natural gas within the limits of the City. Such limits also define the service area of PGW which, being the corporate limits of the City, is a mostly dense urban area of 143 square miles located in southeast Pennsylvania along the Delaware River and within the smallest county of the Commonwealth.

PGW is principally a gas distribution utility, with a distribution system of approximately 3,041 miles of gas mains and 476,605 service lines. In addition, PGW operates facilities for the liquefaction, storage, and vaporization of natural gas to supplement gas supply taken directly from interstate pipeline and storage companies. The principal PGW natural gas supply facilities include nine City gate stations, owned in large part by the interstate natural gas pipeline companies serving PGW, and two liquefied natural gas plants owned by the City and operated by PGW.

The City Charter provides for a Gas Commission (the "Gas Commission") to be constituted and appointed in accordance with the provisions of contracts between the City and the operator of PGW as may from time to time be in effect, or, in the absence of a contract, as may be provided by ordinance. The Gas Commission consists of the City Controller, two members appointed by City Council and two members appointed by the Mayor.

PGW's operations are managed by the Philadelphia Facilities Management Corporation ("PFMC"), a Pennsylvania non-profit corporation specifically organized to manage and operate PGW for the benefit of the City. PFMC's responsibilities are set forth in a Management Agreement between the City and PFMC dated December 29, 1972, as subsequently amended ("Management Agreement"), which delegates responsibility for PGW's operation to an executive management team provided by PFMC.

Under the Management Agreement, those responsibilities that are not specifically granted to PFMC are the responsibilities of the Gas Commission, except to the extent preempted by the Pennsylvania Public Utility Commission (the "PUC") pursuant to the Pennsylvania Natural Gas Choice and Competition Act (the "Gas Choice Act"). The Gas Choice Act made PGW subject to regulation by the PUC effective July 1, 2000, and provides that choice among natural gas suppliers will be provided to PGW's customers.

For more information on PGW, see APPENDIX A – "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services, "PGW PENSION PLAN," "PGW OTHER POST-EMPLOYMENT BENEFITS," "EXPENDITURES OF THE CITY – PGW Annual Payments," and "LITIGATION – PGW."

Parks

The City was originally designed by William Penn and Thomas Holme around five urban parks, each of which remains in Center City to this day. The City's parklands total over 10,300 acres, and include Fairmount Park, one of the world's largest landscaped urban parks at 9,200 acres, Pennypack Park, and the Philadelphia Zoo, the country's first zoo. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell. Under the Rebuild initiative, which has commenced, it is expected that more than $400 million will be invested in Philadelphia parks, recreation centers, playgrounds, and libraries.

Libraries

The Free Library of Philadelphia, the City's public library system, comprises 54 branches (with a variety of digital, computer-based services at certain locations) and an extensive online resource system.

Streets and Sanitation

The Philadelphia Streets Department (the "Streets Department") and the divisions within it are responsible for the City's large network of streets and roadways. The City's pavement condition is considered to be a "Fair" pavement condition. In order for the City to maintain its pavement in a state of good repair, local streets should be repaved once every 20 years and arterials should be repaved once every 10 years. This requires approximately 131 miles of paving every year. The pavement program has accumulated a backlog of approximately 1,100 miles since 1996. As a result of the new funding under Act 89, the Streets Department has funds to address long standing state of good repair needs without an additional allocation from the General Fund. During Fiscal Years 2014-2017, the Streets Department invested in critical equipment replacements and began to implement a strategy to address recurring state of good repair needs. The Streets Department is also emphasizing an objective, data-oriented approach towards strategically addressing roadway conditions throughout the City. New geographical information system (GIS) and global position system (GPS) technology and systems are being used, along with objective assessment tools, to rate and monitor the quality and condition of streets and roadways to prioritize paving plans.

The Streets Department is also responsible for the ongoing collection and disposal of residential trash and recyclables, as well as the construction, cleanliness and maintenance of the street system. The streets system in Philadelphia totals 2,575 miles – 2,180 miles of City streets, 35 miles of Fairmount Park roads and 360 miles of state highways. The Highway Unit and Sanitation Division annually collects and disposes of approximately 620,000 tons of rubbish and 20,000 tons of recycling, and works to combat illegal dumping.

Sustainability and Green Initiatives

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

In furtherance of sustainability and green initiatives, in January 2021, Mayor Kenney announced, among other things, that the City hired a Chief Resilience Officer, Saleem Chapman, to oversee the City's preparedness to address climate change issues. For more information on climate change in the City, see APPENDIX A – "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Climate Change."

APPENDIX C

ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY OF PHILADELPHIA FOR THE YEAR ENDED JUNE 30, 2020

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

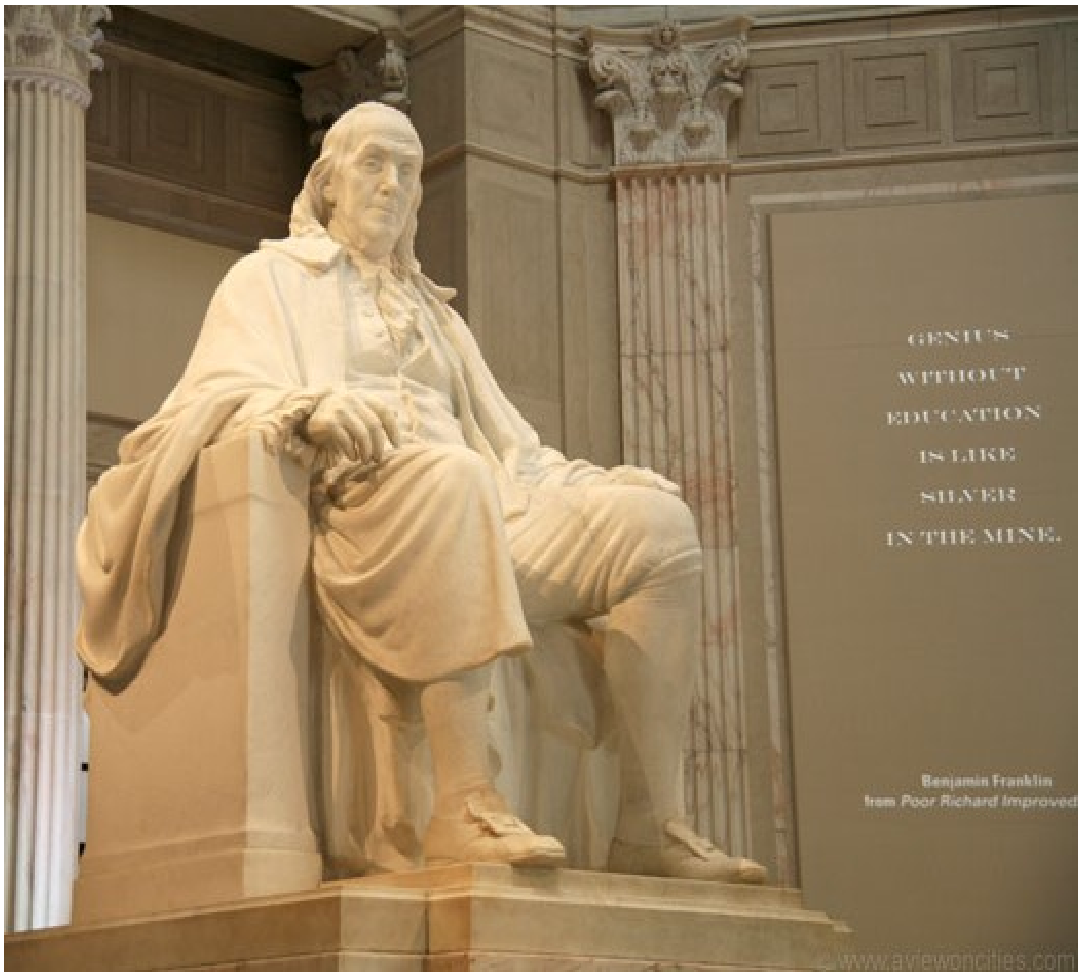
ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY OF PHILADELPHIA FOR THE YEAR ENDED JUNE 30, 2020

[THIS PAGE INTENTIONALLY LEFT BLANK]

City of Philadelphia

PENNSYLVANIA

Founded 1682



Statue of Ben Franklin

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020

SEAL OF THE CITY OF PHILADELPHIA

PHILADELPHIA MANETO

City of Philadelphia
PENNSYLVANIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2020

James F. Kenney
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Josefine Arevalo
Chief Accounting Officer

Accounting Office

Kevin Barr
Jamika Baucom
Nana Boateng
Randy Boucher
Sharon Donaldson
Isaac Fowowe
Gary Hanna
Victoria Heads

Christal Lewis
Gladwin Mathew
Eugene McCauley
Leon Minka
Rowaida Mohammed
Raimundo Rosado
Shenika Ruff

Dino Sam
Rich Sensenbrenner
Amit Shah Yashesh
Shah Girgis Shehata
Shantae Thorpe
Binex Varghese

SEAL OF THE CITY OF PHILADELPHIA

PHILADELPHIA MANETO

Table of Contents

Introductory Section

Financial Section

Financial Section(Continued)

Other Supplementary Information

Statistical Section

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 25, 2021

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

We are pleased to present the City of Philadelphia's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. This report must be published by February 25th of every year to fulfill the continuing disclosure requirements related to the City's outstanding bonds and as outlined in SEC Rule 15c2-12.

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

The City Controller has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2020. The City Controller is an independently elected public official and is required by City Home Rule Charter (City Charter) section 6-401 to appoint a certified public accountant as the deputy in charge of auditing and complete an annual audit of all City accounts. The independent auditor's report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682, incorporated in 1789, and was merged with the County of Philadelphia in 1854. The City occupies an area of 135 square miles along the Delaware River, serves a population in excess of 1.5 million and is the hub of a five-county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in Southeast Pennsylvania.

The City is governed largely under the City Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951 and became effective on the first Monday of January 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania.

Under the City Charter, there are two principal governmental entities in the City: (i) the City, which performs municipal and county functions; and (ii) the School District, which has boundaries coterminous with the City and responsibility for all public primary and secondary education. Under Article XII of the City Charter, the School District of Philadelphia operates as a separate and independent home rule school district. From 2001 to 2018, the School District was governed by the state-led School Reform Commission before being returned to local control in mid-2018. The Board of Education, which has governed the District since then, has nine members, each of whom is appointed by the Mayor.

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

The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council, ten from districts and seven from the City at-large, elected every four years. Minority representation is assured by the requirement that no more than five candidates may be elected for Council-at-large by any one party or political body. The Mayor is prohibited from serving more than two consecutive terms. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services and prisons. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport, which handled approximately 23.8 million passengers in fiscal year 2020, as well as cargo, and Northeast Philadelphia Airport which handles private aircraft and some cargo. The Philadelphia International Airport handled 32.2 million passengers in fiscal year 2019. The reason for the passenger decrease was the COVID-19 pandemic, which affected the entire airline industry for the fourth quarter of fiscal year 2020.

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

Blended component units included in this report are:

- Philadelphia Municipal Authority
- Pennsylvania Intergovernmental Cooperation Authority

Discretely presented component units included in this report are:

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

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

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

FACTORS AFFECTING ECONOMIC CONDITION

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

Local Economy

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. As a hub for education and medicine, the City is home to several institutions of higher education, medical and research facilities, and hospitals. The City also has a strong business and personal services economy with strengths in insurance, law, finance, and leisure and hospitality. Tourism is driven by the City's attractive historic district and array of cultural assets, including museums, theatres and entertainment venues, vast park system, and dynamic restaurant scene.

Prior to the impacts of COVID-19, Philadelphia's medium-term economic outlook was moderately optimistic. Wage Tax revenue was projected to continue to increase as IHS Markit, the City's economic consultants, projected payroll growth to continue to grow next year due to very solid gains in number of employees. However, IHS expected total payroll growth to downshift significantly in 2021 and beyond, as the region reached full employment. In line with its prediction for the U.S., IHS predicted that Philadelphia's Real Gross Metropolitan Product growth would also slow over the next few years, from 1.9% growth in 2020, to 1.7% growth in 2021, and to 1.2% growth in 2022 and 2023. Furthermore, compared to the prior year, low unemployment, solid growth in personal income, and a stable housing market were supportive of growth in consumer spending. While Philadelphia was much better prepared for a recession than it was in 2008, Moody's Recession Preparedness report released in December 2019 found that, like most of the 25 largest cities in the country, Philadelphia was only moderately prepared for a recession.

Updated projections show that the COVID-19 outbreak has impacted and will continue to significantly impact the local economy. As previously stated, three main drivers of Philadelphia's economy are educational institutions, medical institutions, and hospitality. Educational and medical institutions are relatively stable and account for 32% of the total Philadelphia workforce. The leisure and hospitality sector, the most vulnerable to the effects of social distancing measures, employs a much smaller proportion of the total workforce, but its contraction due to the COVID-19 outbreak had an immediate and disproportionate impact on the City's low wage workers.

Despite experiencing about a decade of consistent growth, the City's population experienced a slight decline in 2020. Prior to the COVID-19 outbreak, the City's annual average unemployment rate had returned to pre-Great Recession levels and personal income and per capita income have increased from 2009 levels by 67.8% and 63.9%, respectively. However, as economists evaluate the dire impacts of the COVID-19 outbreak, the real economic impacts on personal income, employment, and overall growth are yet to be determined.

Other challenges also remain. At 23.3%, the City's poverty rate is the highest of the 10 largest cities in the country, and personal income levels also remain relatively low in comparison to the region. These factors create an ongoing challenge to fund public services from a weaker tax base. While the City has benefited from recent population growth, the number of parent-aged adults (age 35-54) and school-aged children (age 5-19 years) has declined over the past five years, which is a trend that has negative implications for the tax base.

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (3)	Unemployment Rate
2019	1,584,064	90,711,866	57,265	5.5%
2018	1,584,138	88,311,658	55,747	5.5%
2017	1,580,863	88,081,991	55,718	6.2%
2016	1,567,872	80,973,410	51,645	6.8%
2015	1,567,442	77,903,831	49,701	6.9%
2014	1,560,297	66,495,223	42,617	8.0%
2013	1,553,165	65,473,002	42,155	10.0%
2012	1,547,607	64,151,742	41,452	10.5%
2011	1,538,567	62,632,520	40,708	10.8%
2010	1,526,006	56,970,074	37,333	10.8%

(1) US Census Bureau

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

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

The City now has "A" category ratings for its General Obligation debt from all three major rating agencies: A2 (Moody's), A (Standard & Poor's), and A- (Fitch). December 2013 was the first time that the City has been rated in the "A" category by all three rating agencies. On April 17, 2020, S&P lowered its outlook on Philadelphia's General Obligation Bonds to stable from positive as a part of a systemwide change that impacted issuers across the country in light of financial challenges posed by COVID-19. S&P stated, "While we expect the economic effects of the pandemic and ensuing recession will result in delayed revenue collections and lower overall collections, we believe the city's improved reserve position, access to internal and external liquidity, and commitment to improving pension funding provide stability at the current rating level." Fitch revised the City's General Obligation outlook from positive to stable in August 2020, citing a high level of uncertainty that many issuers faced regarding the extent of the financial impacts from COVID-19. Moody's has maintained the City's rating since November 2018, when it revised the outlook from negative to stable.

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

City of Philadelphia's General Obligation Bond Ratings

Fiscal Year End	Moody's	Standard & Poor's	Fitch
2020	A2	A	A-
2019	A2	A	A-
2018	A2	A	A-
2017	A2	A+	A-
2016	A2	A+	A-
2015	A2	A+	A-
2014	A2	A+	A-
2013	A2	A-	A-
2012	A2	BBB+	A-
2011	A2	BBB	A-

The consistent efforts of Philadelphia's economic development agencies and others have spurred significant economic changes throughout the City. Development in the Navy Yard has, over time, transitioned a former naval property and active military base to a growing hub for business. Over the last two decades, the efforts of Philadelphia's economic development agencies and others have spurred significant economic revitalization throughout the City.

Recently Completed Projects or Projects Under Construction in Key Commercial Districts

Project Name, by Neighborhood	Project Type	Cost in Millions	Est. Completion Date
CENTER CITY			
Comcast Innovation and Technology Center	Commercial / Hotel	$1,200	Completed 2019
2400 Market	Commercial	$230	2020
W Hotel/Element	Hotel	$359	2020
Fashion District of Philadelphia	Commercial	$400	Q2 2020
1911 Walnut	Mixed Use	$300	2021
SLS Residences	Residential and Hotel	$253	2021
Police Headquarters in Inquirer Building	Public	$300	Q1 2021
OLD CITY			
I-95 Overcap Park	Public	$225	2024
OTHER NEIGHBORHOODS			
2100 Hamilton	Residential	$24	2021
UNIVERSITY CITY			
4601 Market	Mixed Use	$250	2021
Penn Health Tower	Health Care	$1,500	2021
TOTAL		**$5,041**	

Source: Philadelphia Department of Planning and Development.

Long-Term Financial Planning

The impacts of COVID-19 on Philadelphia were felt almost immediately – raising costs for existing services, necessitating new programs and service to respond to the pandemic, and reducing revenues. With most of the City's General Fund revenue originating from local taxpayers, the City's fiscal health is highly dependent on local economic conditions. Given the devastating impact of the COVID-19 pandemic, and with business closures, the City anticipated a reduction in the size of its tax base and lowered revenue projections. Driven by significant revenue losses not able to be offset by federal stimulus funds, and increased costs for existing and new pandemic-related services which were offset by federal funds, the City spent down reserves, reduced and reallocated planned spending, and made modest changes to enhance revenues. The result of these budget balancing actions is a reduced projection for the fund balance to end fiscal year 2021.

One of the most important measures of the City's financial health is its fund balance. Having a healthy fund balance gives the City financial flexibility, and makes it better able to meet its cash flow needs, mitigates current and future financial risks and ensures predictability of future services. The City's fund balance has historically been well below the almost 17% recommended by the Government Finance Officers Association (GFOA) but had recently exceeded the City's target of 6% to 8% of General Fund spending ($438.7 million or 9% in fiscal year 2019). In fiscal year 2020, the City ended with a fund balance of $290.7 million, a $148.0 million decrease from fiscal 2019, due primarily to the impact of COVID-19 in the fourth quarter. At 5.77 % of spending, the fund balance came close to meeting the internal goal but the reduction from the prior year indicates the need for careful financial management amidst the COVID-19 pandemic. The General Fund is projected to end fiscal 2021 with a fund balance of $29.1 million, which is 0.5% of the City's projected obligations. This is much less than the City's target of 6% to 8%, and below the GFOA's recommend level of 17%.

The table below illustrates the City's General Fund year-end balance for the past 5 years, and the projected Fiscal Year 2021 year-end balance as noted in the City's Quarterly City Managers Report (period ending December 31, 2020).

General Fund
Year End Fund Balance (Legal Basis)

Fiscal Year End	Fund Balance	Projection/Actual
2021	29,089	Projection
2020	290,672	Actual
2019	438,680	Actual
2018	368,783	Actual
2017	189,243	Actual
2016	148,315	Actual

Source: Quarterly City Managers Report and the AFR.

Relevant Financial Policies

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

Fund Balance Target: Recognizing the importance of maintaining adequate fund balances, the City developed a target fund balance of approximately 6% to 8%. The GFOA recommends general-purpose governments maintain unrestricted budgetary fund balance in the general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. Unfortunately, the devastating impacts on revenues and spending caused by the COVID-19 outbreak have meant a much lower fund balance for the City. At a projected $29.1 million for fiscal year 2021, the City's fund balance covers approximately three days and not two months of regular government spending (17%) as recommended by the GFOA.

Wage and Business Tax Changes: The City's largest portion of tax revenue comes from the City's Wage and Earnings Tax. This tax is collected from all employees who work within the City limits but live elsewhere, as well as all residents regardless of work location. The Business Income and Receipts Tax (BIRT) is the third largest source of General Fund revenue and is based on both gross receipts (sales) and net income (profits). Philadelphia remains committed to reducing business taxes but due to COVID-related revenue losses, the City paused incremental rate reductions to the net income portion of the BIRT, leaving the rate at 6.20%. The FY21-25 Plan resumes BIRT rate cuts in fiscal year 2024, with the rate reducing to 6.15% and then to 6.10% in fiscal year 2025. The shift to Market-Based Sourcing will proceed as planned in fiscal year 2023. The Administration did not propose increasing the Resident Wage Tax rate in the FY21-FY25 Five Year Plan given the negative impact on the City's competitiveness and negative impact on Philadelphia's already high poverty rate. The current rate of 3.8712% will remain in place until fiscal year 2024, when planned cuts will resume. The non-resident wage tax rate increased from 3.4481% to 3.5019% in FY21. That rate will stay in place through fiscal year 2023 and rate reductions will resume in fiscal year 2024.

Reassessments: The Real Property Tax is levied on the taxable assessed value of all property in the City and is the second largest source of tax revenue in the City. Philadelphia is unlike other cities and counties which rely more heavily on the property tax portion of their budget. Philadelphia's property tax is split between the City and the School District of Philadelphia. In fiscal year 2013, the City completed the Actual Value Initiative (AVI), which involved a comprehensive reassessment of all properties in the City – approximately 579,000 parcels –

to correct outdated and partial assessments. The intent of AVI was to ensure that properties are examined annually to ensure that values reflect the market.

For tax year 2020, the OPA reassessed and revalued all properties using the ratio trend valuation method (or "trending") while it also implements recommendations from an expert consultant on ways to further improve the quality of assessments. Delays related to COVID-19 forced the City to postpone the next full reassessment until tax year 2022.

Improving the Health of the Pension Fund: The City will not attain fiscal stability until it has solidified the financial condition of the pension fund. To address this challenge, the Kenney Administration, working with municipal employees, the Pension Board, and City Council, launched a three-pronged approach to improve the health of the Pension Fund to 80% funded by fiscal year 2029 and 100% funded by fiscal year 2033.

The first part of the Mayor's pension reform program is a commitment to increasing the City's annual contribution to the Pension Fund. The General Fund contribution makes up the vast majority of the City's annual contribution to the pension fund, totaling more than $649.4 million in FY20 (the all funds total is $768.7 million). In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying minimum municipal obligation (MMO), the amount required under state law, the City meets its MMO independent of these revenues, so that sales tax dollars directed to the Fund will be over and above the MMO. Over the FY21-FY25 Five Year Plan, the sales tax revenues due to the pension fund are projected to be worth about $225.3 million.

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

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

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

Major Initiatives

Philadelphia Beverage Tax and Funded Programs: In June 2016, City Council passed, and the Mayor signed the Philadelphia Beverage Tax (PBT). The PBT taxes the distribution of sweetened drinks at 1.5 cents per ounce and became effective January 1, 2017. The PBT provides funding for pre-kindergarten, community schools, recreation centers and libraries. Since its inception, revenue collection for the PBT has continued to grow. In FY20, the City collected approximately $69.9 million in revenues from the PBT. However, the City projected a decline in annual revenues over the Five Year Plan to reflect national trends in decreased consumption of sweetened beverages, even before the impacts of COVID-19. The FY21 Adopted Budget and FY21-25 Five Year Plan project that the PBT will generate $67.4 million in FY21.

COVID-19 Recovery: In April 2020, the City established a Recovery Office to oversee federal, state and local grant funding received to support its response to and recovery from the COVID-19 pandemic. These funding sources, which include Coronavirus Aid, Relief, and Economic Security (CARES) Act grants and Federal Emergency Management Agency (FEMA) Public Assistance, are being used to reimburse the City for public health and safety costs incurred in response to the pandemic, as well as to fund new initiatives aimed at addressing the economic impacts of the pandemic, such as providing rental assistance and business assistance relief programs. In FY20, the City used $64.0 million of the $276.4 million in Coronavirus Relief Funds received through the CARES Act to reimburse the General Fund for costs related to its pandemic response. The remainder of the $276.4 million was allocated by the end of calendar year 2020. Recovery will continue to be a key area of focus over the Five Year Plan.

Education: Lastly, education continues to be a key area of focus and investment for this Administration. For the FY21-25 Five Year Plan, the City's contribution to the School District of Philadelphia includes a funding package of $1.4 billion over five years, providing the District with increased financial stability and helping to ensure that the District continues to build on progress achieved during recent years. The City's contribution to the Community College of Philadelphia includes $196.5M in operating support over the Five Year Plan in addition to a combined $47.4M in support for the Catto Scholarship, which launched in early calendar year 2021. The Catto Scholarship provides last-dollar tuition support, basic needs supports, and wraparound services to eligible low-income Philadelphia high school graduates.

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, 2019. This was the fortieth consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

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

Sincerely,

ROB DUBOW
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

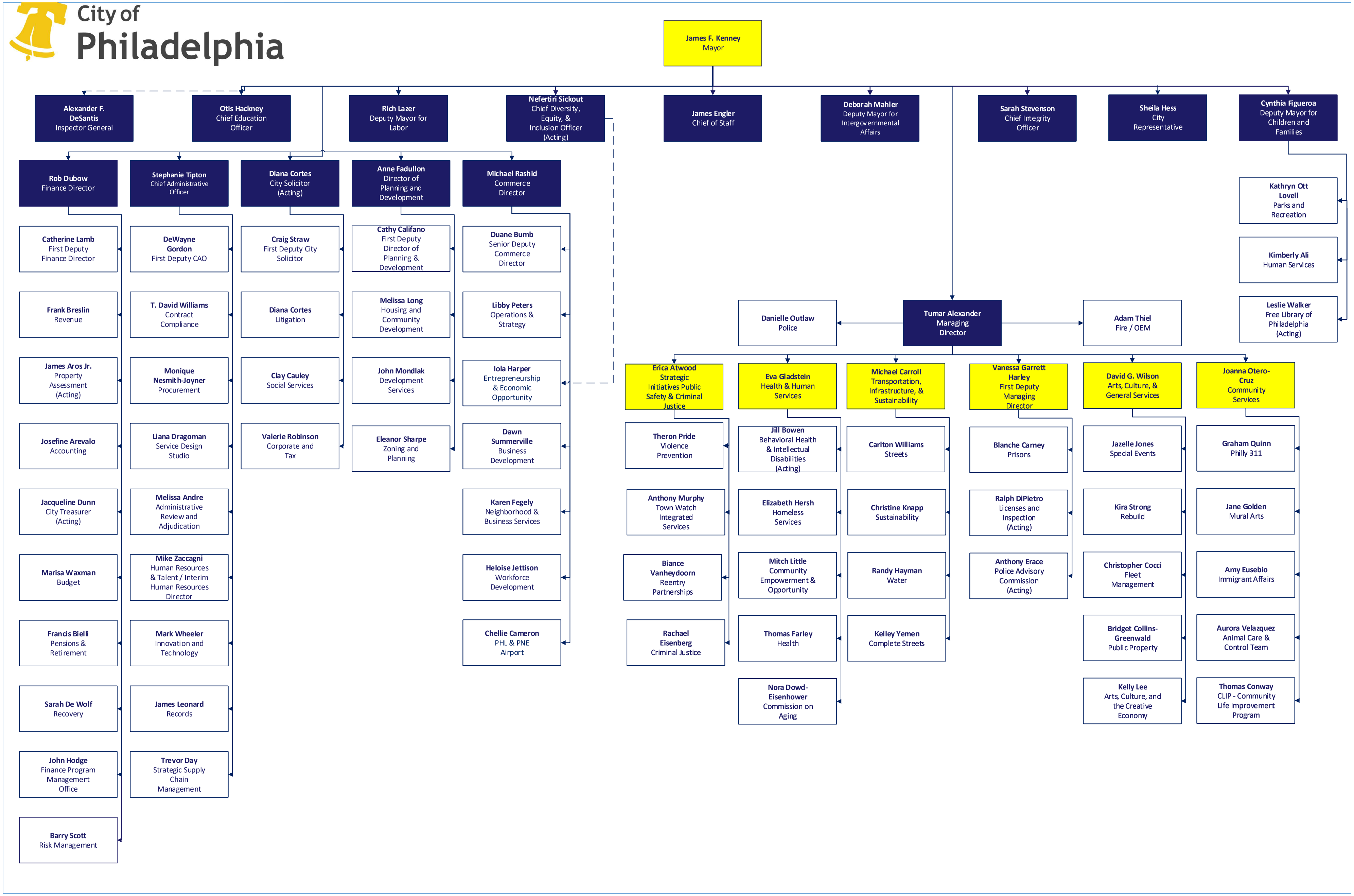
City of Philadelphia
Pennsylvania

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO


City of Philadelphia
James F. Kenney
Mayor
Alexander F. DeSantis
Inspector General
Otis Hackney
Chief Education Officer
Rich Lazer
Deputy Mayor for Labor
Nefertiri Sickout
Chief Diversity, Equity, & Inclusion Officer (Acting)
James Engler
Chief of Staff
Deborah Mahler
Deputy Mayor for Intergovernmental Affairs
Sarah Stevenson
Chief Integrity Officer
Sheila Hess
City Representative
Cynthia Figueroa
Deputy Mayor for Children and Families
Kathryn Ott Lovell
Parks and Recreation
Kimberly Ali
Human Services
Leslie Walker
Free Library of Philadelphia (Acting)
Rob Dubow
Finance Director
Catherine Lamb
First Deputy Finance Director
Frank Breslin
Revenue
James Aros Jr.
Property Assessment (Acting)
Josefine Arevalo
Accounting
Jacqueline Dunn
City Treasurer (Acting)
Marisa Waxman
Budget
Francis Bielli
Pensions & Retirement
Sarah De Wolf
Recovery
John Hodge
Finance Program Management Office
Barry Scott
Risk Management
Stephanie Tipton
Chief Administrative Officer
DeWayne Gordon
First Deputy CAO
T. David Williams
Contract Compliance
Monique Nesmith-Joyner
Procurement
Liana Dragoman
Service Design Studio
Melissa Andre
Administrative Review and Adjudication
Mike Zaccagni
Human Resources & Talent / Interim Human Resources Director
Mark Wheeler
Innovation and Technology
James Leonard
Records
Trevor Day
Strategic Supply Chain Management
Diana Cortes
City Solicitor (Acting)
Craig Straw
First Deputy City Solicitor
Diana Cortes
Litigation
Clay Cauley
Social Services
Valerie Robinson
Corporate and Tax
Anne Fadullon
Director of Planning and Development
Cathy Califano
First Deputy Director of Planning & Development
Melissa Long
Housing and Community Development
John Mondlak
Development Services
Eleanor Sharpe
Zoning and Planning
Michael Rashid
Commerce Director
Duane Bumb
Senior Deputy Commerce Director
Libby Peters
Operations & Strategy
Iola Harper
Entrepreneurship & Economic Opportunity
Dawn Summerville
Business Development
Karen Fegely
Neighborhood & Business Services
Heloise Jettison
Workforce Development
Chellie Cameron
PHL & PNE Airport
Tumar Alexander
Managing Director
Danielle Outlaw
Police
Adam Thiel
Fire / OEM
Erica Atwood
Strategic Initiatives Public Safety & Criminal Justice
Theron Pride
Violence Prevention
Anthony Murphy
Town Watch Integrated Services
Biance Vanheydoorn
Reentry Partnerships
Rachael Eisenberg
Criminal Justice
Eva Gladstein
Health & Human Services
Jill Bowen
Behavioral Health & Intellectual Disabilities (Acting)
Elizabeth Hersh
Homeless Services
Mitch Little
Community Empowerment & Opportunity
Thomas Farley
Health
Nora Dowd-Eisenhower
Commission on Aging
Michael Carroll
Transportation, Infrastructure, & Sustainability
Carlton Williams
Streets
Christine Knapp
Sustainability
Randy Hayman
Water
Kelley Yemen
Complete Streets
Vanessa Garrett Harley
First Deputy Managing Director
Blanche Carney
Prisons
Ralph DiPietro
Licenses and Inspection (Acting)
Anthony Erace
Police Advisory Commission (Acting)
David G. Wilson
Arts, Culture, & General Services
Jazelle Jones
Special Events
Kira Strong
Rebuild
Christopher Cocci
Fleet Management
Bridget Collins-Greenwald
Public Property
Kelly Lee
Arts, Culture, and the Creative Economy
Joanna Otero-Cruz
Community Services
Graham Quinn
Philly 311
Jane Golden
Mural Arts
Amy Eusebio
Immigrant Affairs
Aurora Velazquez
Animal Care & Control Team
Thomas Conway
CLIP - Community Life Improvement Program

Elected Officials

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

Appointed Cabinet Members

Managing Director	Tumar Alexander
Finance Director	Rob Dubow
Chief Administrative Officer	Stephanie Tipton
City Solicitor	Diana Cortes
Director of Planning & Development	Anne Fadullon
Commerce Director	Michael A. Rashid
Chief of Staff	James Engler
Deputy Mayor for Intergovernmental Affairs	Deborah Mahler
Deputy Mayor for Labor Relations	Richard Lazer
Chief Integrity Officer	Sarah Stevenson
Chief Education Officer	Otis Hackney
Acting Chief Diversity, Equity & Inclusion Officer	Nefertiri Sickout
City Representative	Sheila Hess
Inspector General	Alexander F. DeSantis

CITY OF PHILADELPHIA

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

REBECCA RHYNHART
City Controller

CHRISTY BRADY
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

	Percent Audited by Other Auditors		
	Total Assets	Total Net Position/Fund Balances	Total Revenues
Governmental Activities	3%	1%	8%
Business-Type Activities	0%	0%	0%
Aggregate Discretely Presented Component Units	60%	31%	42%
Major Funds	0%	0%	0%
Aggregate Remaining Fund Information	89%	92%	62%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Correction of an Error - Change in Accounting Principle

As discussed in Note III.14.A. to the financial statements, a prior period adjustment was made to correct an error for an understatement of the City of Philadelphia, Pennsylvania's liability for accumulated unpaid sick leave as of June 30, 2019. As of July 1, 2019, the City of Philadelphia, Pennsylvania's net position for the Governmental Activities, Water and Sewer Fund, and Aviation Fund were restated to reflect the impact of the change. The correction of the error represents a change in applying generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 35, and the required supplementary information other than management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit for the year ended June 30, 2020 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements. The accompanying Other Supplementary Information for the year ended June 30, 2020, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2020, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the Other Supplementary Information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2020.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Philadelphia, Pennsylvania as of and for the year ended June 30, 2019 (not presented herein), and have issued our report thereon dated February 25, 2020, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The 2019 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2019 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 financial statements. The 2019 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations have been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

Other Information

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

Christy Brady

CHRISTY BRADY, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 25, 2021


SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

City of Philadelphia
PENNSYLVANIA

Management's Discussion & Analysis

The City's management prepared this narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2020. 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

The City of Philadelphia, along with virtually every governmental entity in the country, has been affected by the COVID-19 pandemic. The pandemic had a major effect on the 4th quarter operations of the City, impacting not only revenue and expenses, but also the basic operations of the City. The effects of the pandemic are detailed throughout the MD&A and the notes to the financial statements of the City.

At the end of FY20, the liabilities and deferred inflows of the City of Philadelphia exceeded its assets and deferred outflows by $5,383.1 million. Its unrestricted net position showed a deficit of $9,195.2 million. The major underlying causes of this deficit are the net pension liability ($6,095.9 M), the net OPEB liability ($1,935.3 M), and the outstanding pension obligation bonds ($0.987 M). This deficiency will have to be funded from resources generated in future years.

The City's total June 30, 2020 year-end net position decreased by ($354.1) million from the prior year June 30, 2019 net position. The major cause of this decrease was a prior period adjustment in the Governmental Activities, Water and Sewer Fund, and Aviation Fund for an understatement of the City's liability for accumulated unpaid sick leave at June 30, 2020, which resulted in an adjustment to the July 1, 2019 Net Position of ($319.5) million. The governmental activities of the City experienced a decrease of ($399.5) million, while the business type activities had an increase of $45.4 million.

For FY20, the City's governmental funds reported a combined ending fund balance of $1,046.0 million, an increase of $53.9 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of $330.5 million, an increase in the deficit of $128.9 million from last year.

At the end of FY20, unrestricted fund balance (the total of the *committed, assigned* and *unassigned* components of the fund balance) for the general fund was $414.5 million, of which, $0.0 was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* decreased ($125.8) in comparison with the prior year.

On the legally enacted budgetary basis, the City's general fund ended the fiscal year with a surplus fund balance of $290.7 million, as compared to a $438.7 million surplus last year. The decrease of ($148.0) million was due to an decrease in revenues that resulted in an operating deficit of ($202.9) million and cancelations of prior year obligations.

Overview of the Financial Statements

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

- Government-wide financial statements which provide both long-term and short-term information about the City's overall financial condition.

- Fund financial statements which provide a more detailed look at major individual portions, or funds, of the City.
- Notes to the financial statements which explain some of the information contained in the financial statements and provide more detailed data.
- Other supplementary information which further explains and supports the information in the financial statements.

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

The *statement of net position* which includes all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position are an indicator of the City's financial position.

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

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

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

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

   These two activities comprise the primary government of Philadelphia.

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

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

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

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

The City maintains twenty-two individual governmental funds. Financial information is presented separately for the general fund, grants revenue fund and health choices behavioral health fund, which are considered major funds. Data for the remaining nineteen are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Net position. As noted earlier, net positions are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities and deferred inflows exceeded its assets and deferred outflows by $5,383.1 million.

Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net position, $2,031.5 million. Although these capital assets assist the City in providing services to its citizens, they are generally not available to fund the operations of future periods.

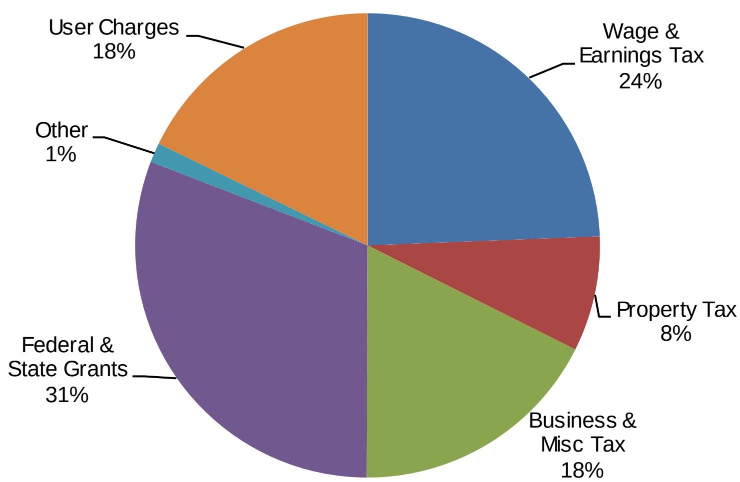
A portion of the City's net position, $1,780.7 million, is subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of $9,195.2 million. The governmental activities reported negative *unrestricted net position* of $8,803.6 million. The business type activities reported an unrestricted net position deficit of $391.6 million. Any deficits will have to be funded from future revenues.

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

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

	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2020	2019	Change	2020	2019	Change	2020	2019	Change
Current and other assets	3,388.3	3,027.6	11.91%	2,225.9	2,141.0	3.97%	5,614.2	5,168.1	8.63%
Capital assets	2,672.0	2,650.0	0.83%	4,930.3	4,787.8	2.98%	7,602.3	7,438.2	2.21%
Total assets	**6,060.3**	**5,677.6**	6.74%	**7,156.2**	**6,928.8**	3.28%	**13,216.5**	**12,606.3**	4.84%
Deferred Outflows	637.9	487.0	30.99%	106.6	90.7	17.53%	744.5	577.7	28.87%
Long-term liabilities	4,953.8	4,523.9	9.50%	3,999.5	3,880.7	3.14%	8,953.2	8,404.6	6.57%
Other liabilities	8,875.6	8,351.6	6.27%	1,312.8	1,234.0	6.13%	10,188.5	9,585.6	6.26%
Total liabilities	**13,829.4**	**12,875.5**	7.41%	**5,312.3**	**5,114.7**	3.86%	**19,141.7**	**17,990.2**	6.40%
Deferred Inflows	178.8	199.5	-10.38%	23.6	23.5	0.43%	202.4	223.0	-9.24%
Net Position:									
Net Investment in capital assets	538.6	738.6	-27.08%	1,492.8	1,437.6	3.84%	2,031.5	2,176.2	-6.65%
Restricted	955.0	867.8	10.05%	825.7	835.5	-1.17%	1,780.7	1,703.3	4.54%
Unrestricted	(8,803.6)	(8,516.9)	-3.37%	(391.6)	(391.6)	0.00%	(9,195.2)	(8,908.5)	-3.22%
Total Net Position	**(7,310.0)**	**(6,910.5)**	-5.78%	**1,926.9**	**1,881.5**	2.41%	**(5,383.1)**	**(5,029.0)**	-7.04%

Changes in net position. The City's total revenues this year, $8,677.6 million, failed to exceed the total costs of $8,712.3 million. Approximately 50% of all revenue came from wage and earnings taxes, property taxes, business and miscellaneous taxes. State, Federal and local grants account for another 31%, and the remaining 19% of the revenue comes from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 65% are related to the health, welfare and safety of the general public (See Exhibit II for further breakdown).



- Total revenues increased by $74.7 million, and total expenses increased by $620.7 million over last year. This resulted in the Change in Net Position, before prior period adjustments, being ($546.0) million less than in the previous year.

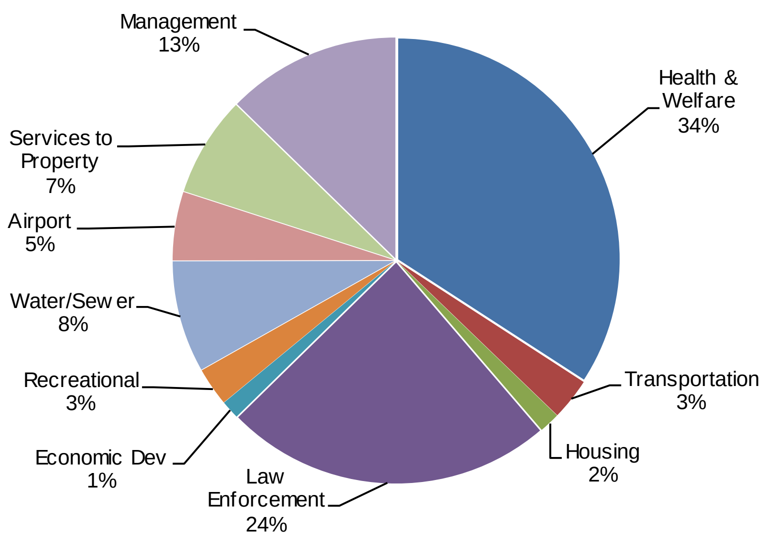
- The City's Operating Grants and Contributions revenue increased by $122.0 million, and the City's Unrestricted Grants revenues revenue increased by $63.2 million, primarily due to the CARES Act funding that the City received. The City's Charges for Goods and Services decreased by ($147.1) million. The Governmental Activities – Charges for Goods and Services decreased by ($19.8) million, mainly from a reduction in Business Taxes, Sales Taxes, Amusement Taxes, and Parking Lot Taxes which were affected directly by the COVID 19 pandemic. Additionally, the Business-Type Activities Charges for Goods and Services decreased by ($127.3) million due to decrease in Aviation fares and other revenues with the implementation of travel bans and stay at home orders related to the COVID-19 public safety measures. Since the start of the COVID-19 crisis, Real Estate Transfer Taxes were down by ($8.7) million, (2.7%). The Local Taxes for the top three Residential Building Types were down by ($24.8) million, (33.4%) in Fiscal Year 2020 when compared to Fiscal Year 2019.

- The Conservation of Health expenses increased by $195.8 million due to an increase in purchase of services related to COVID-19, and the City's General Management and Support expenses increased by $158.0 million, mainly due to increased CARES act spending of $60.0 million, increased legal liabilities of $49.0 million related to the filing of lawsuits or notice being provided of overturned conviction cases, and a budgeted increase to the School District of Philadelphia of $49.0 million.

Net positions increased or decreased in the following activities, as noted below:

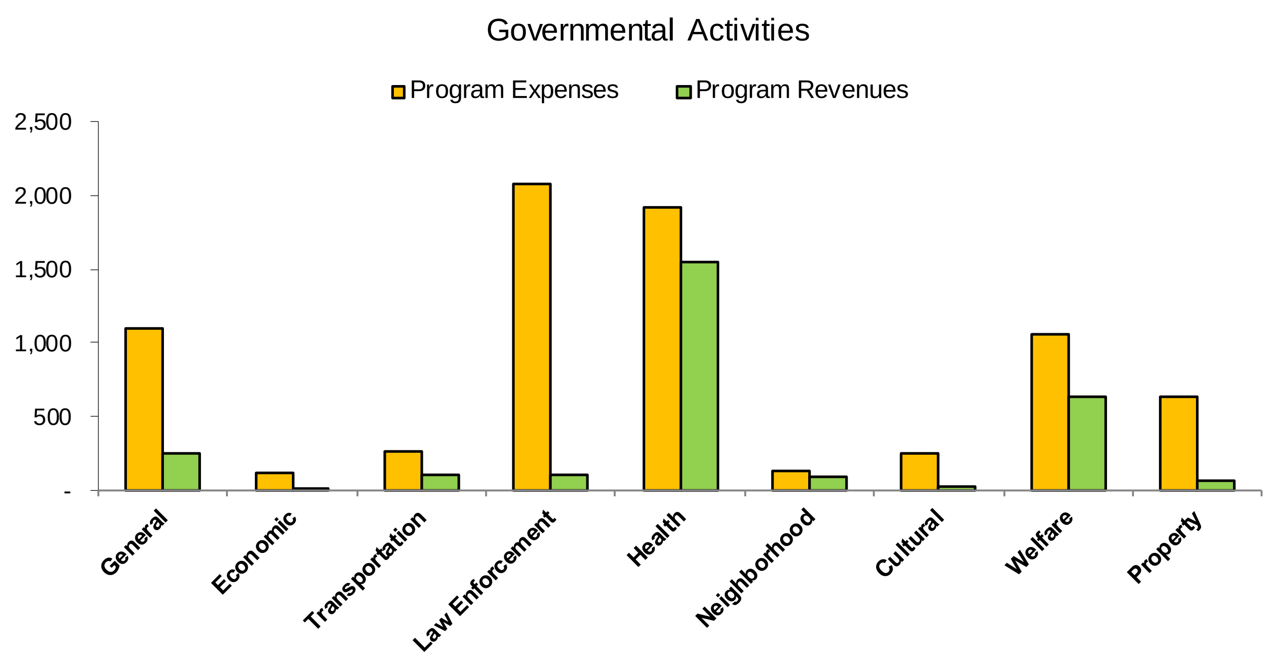
Increases (Decreases) in Revenues	
Charges for Services	($147.1)
Operating Grants & Contributions	122.0
Capital Grants & Contributions	36.0
Wage & Earnings Taxes	0.9
Property Taxes	3.9
Other Taxes	(7.0)
Unrestricted Grants	63.2
Unrestricted Interest	2.8
Total Revenues	$74.7

Increases (Decreases) in Expenses	
Economic Development	$8.3
Transportation	18.3
Judicial & Law Enforcement	98.7
Conservation of Health	195.8
Housing & Neighborhoods	25.4
Cultural & Recreational	(1.7)
General Welfare	62.8
Services to Taxpayer Property	10.7
General Management	158.0
Interest on Long Term Debt	10.3
Water and Waste Water	25.6
Airport	6.4
Industrial Land Bank	2.1
Special Item - Impairment Loss	-
Total Expenses	$620.7



Governmental Activities

The governmental activities of the City resulted in a ($95.4) million decrease in net position before prior period adjustments. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



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

(millions of USD)	Program Costs			Program Revenues			Net Cost		
	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change
General Welfare	$ 1,060.1	$ 997.3	6.3%	$ 632.4	$ 638.0	-0.9%	$ 427.7	$ 359.3	19.0%
Judiciary & Law Enforcement	2,083.1	1,984.4	5.0%	105.1	113.8	-7.6%	1,978.0	1,870.6	5.7%
Public Health	1,916.2	1,720.4	11.4%	1,548.4	1,428.5	8.4%	367.8	291.9	26.0%
General Governmental	1,105.1	936.7	18.0%	255.3	262.6	-2.8%	849.8	674.1	26.1%
Services to Property	633.6	622.9	1.7%	68.6	62.4	9.9%	565.0	560.5	0.8%
Housing, Economic & Cultural	761.3	711.0	7.1%	208.4	186.5	11.7%	552.9	524.5	5.4%
	$ 7,559.4	**$ 6,972.7**	8.4%	**$ 2,818.2**	**$ 2,691.8**	4.7%	**$ 4,741.2**	**$ 4,280.9**	10.8%

The cost of all governmental activities this year was $7,559.4 million; the amount that taxpayers paid for these programs through tax payments was $4,344.6 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,382.0 million, while those who benefited from the programs paid $436.2 million in fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of $301.2 million. The difference of ($95.4) million represents a decrease in net position.

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

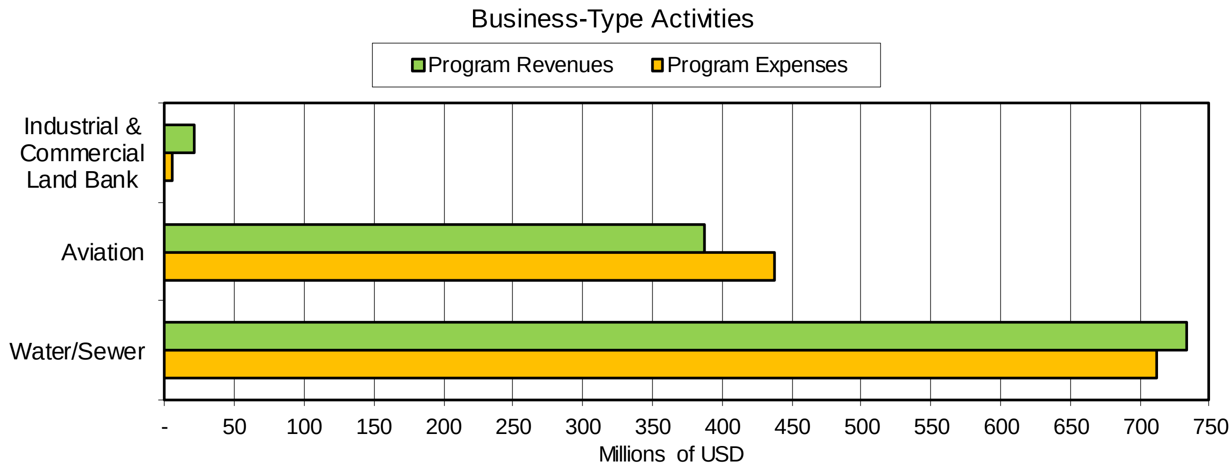
City of Philadelphia-Net Position

(millions of USD)	Governmental Activities 2020	Governmental Activities 2019	Business-type Activities 2020	Business-type Activities 2019	Total 2020	Total 2019	% Change
Revenues:							
Program revenues:							
Charges for services	$ 436.2	$ 456.0	$ 1,106.4	$ 1,233.7	$ 1,542.6	$ 1,689.7	-8.7%
Operating grants and contributions	2,337.0	2,215.2	0.9	0.7	2,337.9	2,215.9	5.5%
Capital grants and contributions	44.9	20.5	34.3	22.7	79.2	43.2	83.3%
General revenues:							
Wage and earnings taxes	2,115.6	2,114.7	-	-	2,115.6	2,114.7	0.0%
Property taxes	695.8	691.9	-	-	695.8	691.9	0.6%
Other taxes	1,533.1	1,540.1	-	-	1,533.1	1,540.1	-0.5%
Unrestricted grants and contributions	197.3	190.8	58.2	1.5	255.5	192.3	32.9%
Unrestricted Interest and Misc.	69.2	64.7	48.7	50.3	117.9	115.0	2.4%
Total revenues	**7,429.1**	**7,293.9**	**1,248.5**	**1,308.9**	**8,677.6**	**8,602.8**	0.9%
Expenses:							
Economic development	118.0	109.7	-	-	118.0	109.7	7.6%
Transportation	266.7	248.4	-	-	266.7	248.4	7.4%
Judiciary & law enforcement	2,083.1	1,984.4	-	-	2,083.1	1,984.4	5.0%
Conservation of health	1,916.2	1,720.4	-	-	1,916.2	1,720.4	11.4%
Housing & neighborhood development	132.0	106.6	-	-	132.0	106.6	23.8%
Cultural & recreational	244.6	246.3	-	-	244.6	246.3	-0.7%
Improvement of the general welfare	1,060.1	997.3	-	-	1,060.1	997.3	6.3%
Services to taxpayer property	633.6	622.9	-	-	633.6	622.9	1.7%
General management	946.5	788.5	-	-	946.5	788.5	20.0%
Interest on long term debt	158.6	148.3	-	-	158.6	148.3	6.9%
Water & waste water	-	-	711.4	685.8	711.4	685.8	3.7%
Airport	-	-	437.1	430.7	437.1	430.7	1.5%
Industrial land bank	-	-	4.4	2.3	4.4	2.3	0.0%
Total expenses	**7,559.4**	**6,972.8**	**1,152.9**	**1,118.8**	**8,712.3**	**8,091.6**	7.7%
Increase (dec.) in net position before transfers & special items	(130.3)	321.1	95.6	190.1	(34.7)	511.2	
Transfers & Special Items	34.7	39.9	(34.7)	(39.9)	-	-	
Increase (dec) in Net Position	**(95.6)**	**361.0**	**60.9**	**150.2**	**(34.7)**	**511.2**	
Net Position - Beginning	(6,910.5)	(7,271.5)	1,881.5	1,741.6	(5,029.0)	(5,529.9)	-9.1%
Adjustment (1)	(304.1)	-	(15.4)	(10.3)	(319.5)	(10.3)	
Net Position - End	**$ (7,310.2)**	**$ (6,910.5)**	**$ 1,927.0**	**$ 1,881.5**	**$ (5,383.3)**	**$ (5,029.0)**	7.0%

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

Business-type Activities

Business-type activities resulted in a $60.9 million increase in net position before prior period adjustments. This increase was comprised of an increase in net position for water/wastewater of $11.3 million, an increase for aviation of $33.0 million, and an increase for industrial and commercial development operations of $16.6 million. The increase was due primarily to an increase in Aviation's Federal, State, and Local Grants of $56.2 million as compared to prior year. This increase was primarily related to funds received under the CARES Act.



Financial Analysis of the Government's Funds

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

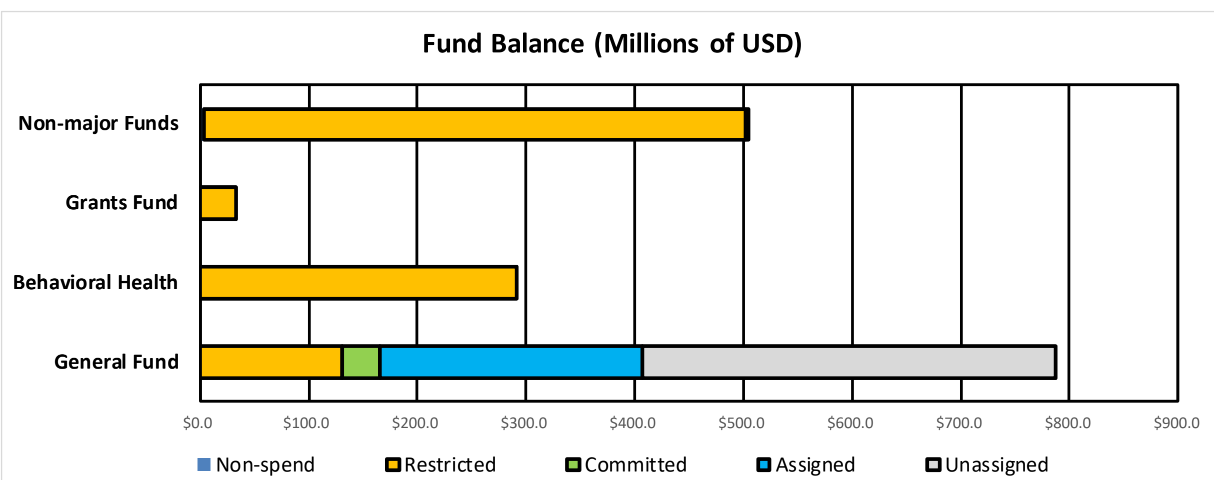
At the end of the fiscal year the City's governmental funds reported a *combined fund balance* of $1,046.0 million, an increase of $53.9 million over last year. Of the total fund balance, $3.8 million represents *non-spendable fund balance*.

In addition, $953.3 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, for the following purposes:

Neighborhood Revitalization	$	0.3
Economic Development		3.1
Public Safety Emergency Phone System		33.1
Streets & Highways		63.2
Housing and Neighborhood Development		66.3
Health Services		22.7
Behavioral Health		291.1
Parks & Recreation		1.2
Libraries & Museums		2.5
Intergovernmental Financing		24.1
Stadium Financing		10.5
Cultural & Commercial Corridor Project		1.0
Pension Obligation Bonds		-
Debt Service Reserve		16.0
Capital Projects		278.5
Affordable Housing Project		11.0
Art Museum Project		1.8
Rebuild		77.7
Home Repair Program		39.5
Trust Purposes		9.7
Total Restricted Fund Balance	$	953.3

The fund balance is further broken down as *committed fund balance* for the Budget Stabilization Reserve Fund of $34.3 million, Prisons of $3.3 million, and Parks and Recreation of $1.5 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of ($330.5) million which constitutes *unassigned fund balance,* this deficit must be funded by future budgets.

The general fund, the primary operating fund of the City, reported *assigned fund balance* of $380.2 million and *unassigned fund balance* of $0.0 million at the end of the fiscal year.



Overall, the total fund balance of the General Fund decreased by ($70.3) million during the current fiscal year, compared to an increase of $214.9 million in the prior fiscal year. Some of the key factors contributing to this change are:

Revenues:

- Total current year revenues ($4,325.5) million increased between fiscal years, with a $50.2 million (1.2%) increase from the prior fiscal year ($4,275.3) million.
- This increase was primarily due to ($51.5) million increase in Revenue from Other Governments for revenues received under the CARES Act.
- All other revenues remained relatively flat compared to the prior fiscal year.

Expenditures and Other Financing Sources (Uses):

- Total current year Expenditures and Other Financing Sources (Uses) ($4,395.8 million) increased between fiscal years, with a $335.3 million (8.3%) increase from prior fiscal year ($4,060.5 million) .
- This increase was primarily due to a $10.4 million (5.9%) increase in expenditures related to Transportation (Streets and Highways and Mass Transit) a $83.2 million (4.38%) increase in expenditures related to Judiciary and Law Enforcement, and a $62.5 million (14.5%) increase in expenditures related to General Welfare (Social Services, Education, and Inspections and Demolitions), and a $30.2 million (15.7%) increase in expenditures related to Health Services, as well as a $125.4 million (17.1%) increase in expenditures related to General Management and Support.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $291.1 million. The entire amount is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance decreased during the fiscal year by ($23.2) million, mainly as a result of the City's increased payments to providers for expanded Health Services.

The Grants Revenue fund has a total fund balance deficit of $280.8 million which is comprised of a positive restricted fund balance of $33.1 million for emergency telephone system programs and a positive restricted fund balance of $0.3 million for Neighborhood Revitalization Programs and a deficit unassigned fund balance of ($314.1) million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unassigned fund balance. The overall fund balance of the grants revenue fund experienced a decrease of $2.6 million during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net position* of the proprietary funds increased by $45.5 million during the current fiscal year. This increase is attributable to the water/wastewater system which had an increases of $4.7 million, airport operations which experienced an increase of $24.2 million, and industrial and commercial land bank operations which also experienced an increase of $16.6 million.

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

	Unrestricted Net Position (deficit)		
	2020	2019	Change
Water and Waste Water	($370.5)	($373.0)	$2.5
Aviation	($103.6)	($84.5)	($19.1)
Land Bank	$82.5	$65.9	$16.6
	($391.6)	($391.6)	$0.0

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)
2020	$ 290.7	$ (148.0)
2019	438.7	69.9
2018	368.8	179.6
2017	189.2	40.9
2016	148.3	(3.2)

The general fund's budgetary fund balance surplus of $290.7 million differs from the general fund's fund financial statement unassigned fund balance of $0.0 by $290.7 million, which represents the following:

- The unearned portion of the Business Income and Receipts Tax of $166.4 million and the Philadelphia Beverage Tax – Unobligated amount of $138.4 million. Business Income and Receipts tax (BIRT prepays) revenue is received prior to being earned but has no effect on budgeted cash receipts.
- Since governments cannot report a deficit in unassigned fund balance (GASB No. 54, paragraph 15), the resulting ($14.1) million deficit is reclassified to assigned fund balance.

The charts below illustrate:

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

(Millions of USD)

A. Budget to GAAP Basis Reconcilation	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Budget Basis Fund Balance	$ 290.7	$ 438.7	$ 368.8	$ 189.2	$ 148.3
1. Less: BIRT six (6) months pre-pays	(166.4)	(192.0)	(173.8)	(165.6)	(169.5)
2. Add: Encumbrances &	255.9	201.4	127.0	128.4	99.2
3. Add: Reserves	165.3	167.7	78.9	38.1	54.5
Modified Accrual Basis Fund Balance	$ 545.5	$ 615.8	$ 400.9	$ 190.1	$ 132.5

B. Modified Accrual Basis Fund Balance	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Restricted	$ 165.3	$ 167.7	$ 78.9	$ 38.1	$ 54.5
Assigned					
Encumbrances	255.9	201.4	127.0	128.4	99.2
* Phila. Beverage Tax - Unobligated	138.4	120.9	-	-	-
Reclassification of Unassigned	(14.1)	-	-	-	(21.2)
Assigned	380.2	322.3	127.0	128.4	78.0
Unassigned	-	125.8	195.0	23.6	-
Modified Accrual Basis Fund Balance	$ 545.5	$ 615.8	$ 400.9	$ 190.1	$ 132.5

C. Budget to GAAP Basis Reconcilation	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Budget Basis Fund Balance	$ 290.7	$ 438.7	$ 368.8	$ 189.2	$ 148.3
1. Less: BIRT six (6) months pre-pays	(166.4)	(192.0)	(173.8)	(165.6)	(169.5)
2. Less: Reclass to Assigned Fund Balance	14.1	-	-	-	21.2
3. Less: Phila Beverage Tax - Unobligated	(138.4)	(120.9)	-	-	-
Unassigned Fund Balance	$ 0.0	$ 125.8	$ 195.0	$ 23.6	$ -

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

Differences between the original budget and the final amended budget resulted primarily from a slight decrease in revenue estimates and increases to appropriations. Total appropriations increased by $207.4 million, from an original budget of $5,025.3 million to a final amended budget of $5,232.7 million. The largest increases were required to support the following activities:

- $31.8 million for Police operations
- $24.8 million for Street maintenance and repair
- $32.2 million for Fire operations
- $90.8 million for Managing Director's operations
- $53.0 million for Capital operations

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to $7.6 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. The table below shows a breakdown of the City's Capital Improvements over the past five fiscal years.

(millions of USD)

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Airport Terminal & Airfield Improvements	$ 109.7	$ 107.9	$ 209.2	$ 183.9	$ 161.1
Water & Wastewater Improvements	271.1	314.9	231.2	239.3	176.0
Streets, Highways & Bridges Improvements	55.8	51.7	27.6	43.8	77.9
Transit System Improvements	5.6	7.3	7.3	0.8	10.6
Parks, Playgrounds, Museums & Recreational Facilities	25.2	42.6	63.6	38.1	37.9
Libraries Improvements	2.1	1.1	8.8	2.3	1.6
Police & Fire Facilities	17.7	16.7	10.9	6.7	7.7
City Hall & Municipal Buildings Improvements	8.4	7.2	12.8	2.0	2.7
Computers, Servers, Software & IT Infrastructure	43.0	18.3	16.7	15.5	11.4
Economic Development	19.2	17.4	18.3	4.5	11.2
Other and Non-Enterprise Vehicles	39.8	38.2	28.9	14.7	32.3
	$ 597.6	$ 623.3	$ 635.3	$ 551.6	$ 530.4

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation

(millions of USD)

	Governmental activities			Business-type activities			Total		
	2020	2019	Inc/(Dec)	2020	2019	Inc/(Dec)	2020	2019	Inc/(Dec)
Land	$ 927	$ 900	$ 27	$ 237	$ 236	$ 0	$ 1,164	$ 1,136	$ 27
Fine Arts	1	1	-	-	-	-	1	1	-
Property Available for Sale	-	10	(10)	-	-		-	10	(10)
Buildings	856	882	(26)	1,572	1,601	(29)	2,428	2,483	(55)
Improvements other than buildings	103	103	-	186	172	14	289	275	14
Machinery & equipment	200	179	21	50	47	3	250	226	24
Infrastructure	483	478	5	1,836	1,667	169	2,319	2,145	174
Construction in progress	18	13	5	1,040	1,056	(15)	1,058	1,069	(10)
Transit	41	46	(5)	-	-	-	41	46	(5)
Intangible Assets	43	38	5	9	8	1	52	46	6
Total	**$ 2,672**	**$ 2,650**	**$ 22**	**$ 4,930**	**$ 4,788**	**$ 143**	**$ 7,602**	**$ 7,438**	**$ 165**

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

Long-term debt. At year-end, the City had $7.3 billion in long-term debt outstanding. Of this amount, $6.0 billion represents bonds outstanding (comprised of $2.1 billion of debt backed by the full faith and credit of the City, and $3.9 billion of debt secured solely by specific revenue sources) while $1.3 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	
	2020	2019	2020	2019	2020	2019
Bonds Outstanding:						
General obligation bonds	$ 2,091.9	$ 1,927.2	$ -	$ -	$ 2,091.9	$ 1,927.2
Revenue bonds	-	-	3,934.2	3,826.9	3,934.2	3,826.9
Total Bonds Outstanding	**2,091.9**	**1,927.2**	**3,934.2**	**3,826.9**	**6,026.1**	**5,754.1**
Other Long Term Obligations:						
Service agreements	1,688.7	1,797.6	-	-	1,688.7	1,797.6
Employee related obligations	118.7	479.7	66.5	51.8	185.2	531.5
Indemnities	815.5	75.2	5.2	6.6	820.7	81.8
Leases	238.9	244.2	-	-	238.9	244.2
Total Other Long Term Obligations	**2,861.9**	**2,596.7**	**71.7**	**58.4**	**1,308.9**	**2,655.1**
Total Long Term Debt Outstanding	**$ 4,953.8**	**$ 4,523.9**	**$ 4,005.9**	**$ 3,885.3**	**$ 7,335.0**	**$ 8,409.2**

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows temporary loan funds to smooth out unevenness in the City's cash flow created by the receipt of two major sources of tax revenue – the property tax and the business income and receipts tax – in the second half of the year. The City did not borrow Tax and Revenue Anticipation Notes in fiscal year 2020; in accordance with statute, there are no temporary loans outstanding at year-end.

- In January 2020, the City issued $118.0 million of General Obligation Refunding Bonds Series 2020A. The proceeds of the sale were used to refund the City's General Obligation Series 2013A Bonds maturing on July 15, 2022 through July 15, 2025 and July 15, 2028 through July 15, 2033, which are subject to optional redemption on July 15, 2021, and to pay for the cost of issuance of the bonds.

- In July 2019, the City issued $293.4 million of General Obligation Bonds, Series 2019B Bonds. The proceeds will be used to (i) pay all or a portion of the costs of certain projects in the City's capital budgets, and (ii) pay the costs relating to the issuance of the 2019B Bonds.

- In August 6, 2019, the City issued $250.7 million of Water and Wastewater Revenue Bonds, Series 2019B. The 2019B bonds were issued for the purpose of providing funds which, together with the other available funds of the City, will be used to finance (i) capital improvements to the

City's Water and Wastewater Systems, and (ii) a deposit to the Debt Reserve Account of the Sinking Fund, and (iii) the costs of issuance relating to the issuance of the 2019B bonds.

- In February 2019, the City Bond Committee approved the terms and provisions of its Water and Wastewater Revenue Refunding Bonds Series 2020 (Forward Delivery) to allow for the issuance in October 2020 of $127.7 million of the Series 2020 Bonds to refund all the outstanding Series 2011A Bonds in the amount of $135.0 million and to pay the costs of issuing the Series 2020 Bonds. The total proceeds of the Series 2020 Bonds will be $138.6 million (which includes a premium of $10.9 million).

The 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	A2	A	A-
Water Revenue Bonds	A1	A+	A+
Aviation Revenue Bonds	A2	A-	A

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax-supported general obligation debt it may issue. The limitation is equal to 13.50% of the average assessed valuations of properties over the past ten years. As of June 30, 2020, the legal debt limit was $11,052.0 million. There is $2,228.8 million of outstanding tax supported debt leaving a legal debt margin of $8,823.3 million.

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

Economic Factors and Next Year's Budgets and Rates

The following factors are key factors to consider when reviewing the City of Philadelphia's budget for the 2020 fiscal year:

- *Fund Balance:* In FY2020, the General Fund ended with a fund balance of $290.7 million, a $148.0 million decrease from FY2019, primarily due to the impact of COVID-19 in the fourth quarter.
- *Budgeted Revenue Projections for FY2021:* COVID-19 has had an enormous economic impact on the City leading to reduced revenues. COVID-19 impacted City revenues during the fourth quarter of FY2020, which inadvertently impacted FY2021 revenues. Wage and Earnings Tax revenue is budgeted to decline by 6.04%, Sales Tax revenue is budgeted to decline by 0.013%, Real Property revenue is budgeted to decline by 3.50%, and Real Estate Transfer Tax revenue is budgeted to decline by 9.87%, while Business Income and Receipts Tax revenue is budgeted to decline by 9.75%.
- *Wage and Business Tax Rates:* The FY2021-2025 Five-Year Plan does not include an increase to the Resident Wage Tax rate, given the expected negative impact on the City's economic competitiveness and racial equity and on Philadelphia's already high poverty rate. The residential rate was 4.3010% in FY2006, is 3.8712% in FY2021, and will remain in place until FY2024 when rate reductions resume and the rate changes to 3.8516% in FY2024 and 3.8519% in FY2025. The non-resident wage tax rate increased from 3.4481% to 3.5019%, and will remain in place until FY2024 when rate reductions resume and the rate changes to 3.4395% in FY2024 and 3.4309% in FY2025. Philadelphia remains committed to reducing business taxes but, due to COVID-related revenue losses, the City paused incremental rate reductions to the net income portion of the BIRT, leaving the rate at 6.20% in FY2021.

The Plan resumes cuts in FY2024, with the rate dropping to 6.15% in FY2024 and then to 6.10% in FY2025. The shift to Market-Based Sourcing will proceed as planned in FY2023. The FY2021 rate for gross receipts is 0.1415%.

- *Return to Local Control*: As of July 1, 2018, the School District of Philadelphia is governed by a Board of Education, with all of its members appointed by the Mayor. In FY2021, the City's direct General Fund contribution to the District is $252.6 million, which is $30.1 million higher than the audited actual amount for Fiscal Year 2019 ($222.5 million).

- *Philadelphia Beverage Tax:* In 2016, the Philadelphia Beverage Tax (PBT) was enacted to fund free, quality pre-Kindergarten (pre-K) education for children; expand community schools in high-needs neighborhoods; and launch Rebuild, a capital improvement program for the City's parks, recreation centers, and libraries. The FY2021 Adopted Budget projects that the PBT will generate $67.4 million in FY2021.

- *Contract Negotiations:* Approximately 82% of City employees are represented by one of the City's municipal unions. The City is committed to working with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal health. All of the City's unions are covered by bargaining agreements through June 30, 2021.

  In FY17, District Council 33 (DC33) negotiated a new, four-year contract. In FY18, the Fraternal Order of Police (FOP) and International Association of Firefighters (IAFF) received three-year arbitration awards and District Council 47 (DC47) ratified a three-year contract with the City. Each of these agreements included significant reforms to improve the health of the City's pension fund, which keeps the City on track to achieve its goal of having the City Pension Fund 80% funded by 2029.

  The table below presents employee wage increases from FY17 to FY21 for each bargaining unit. The shaded cells indicate the most recent contract terms.

Fiscal Year	FOP Lodge	Sheriff's Office & Register of Wills (FOP Lodge 5)	IAFF LOCAL22	AFSCME DC33	Correctional Officers (DC33 LOCAL 159)	AFSCME DC47 (Local 2187)	AFSCME DC47 (Local 2186)	Local 810 Court Employees (DC47)
FY17	3.25%	3.25%	3.25%	3% + $500 Lump sum	3.25% + $500 Lump sum	3.0%	3.0%	3.0%
FY18	3.25%	3.0%	3.25%	3.0%	3.0%	3.0%	3.0%	3.0%
FY19	3.50%	3,25%	3.50%	2.5%	3.25%	2.5%	2.5%	2.5%
FY20	3.75%	3.25%	3.75%	3.0%	3.25%	3.00%	3.00%	3.0%
FY21	2.5% + $750 Bonus	2.25% + $400 Bonus	2.5%	* 2% + $750 / $475 Bonus	* 2% + $750 / $475 Bonus	* 2% + $750 / $475 Bonus	* 2% + $750 / $475 Bonus	2.0%

* $750/$475 bonus based on onsite/offsite considerations.

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

- *Pension Fund Challenges:* In FY2021, pension costs are budgeted to represent 13.5% of General Fund expenditures. The significant share of costs attributed to pensions, combined with the Pension Fund's current funding status – it is now 46.8% funded – make it clear that the City will not attain fiscal stability until it has solidified the financial condition of the pension fund.

  In FY2021, General Fund pension payments are projected to total $633.9 million compared to $627.4 million in FY20.

  Pension Reforms: To address the pension challenge, the Kenney Administration, working with municipal employees, the Pension Board, and City Council, launched a three-pronged approach to improve the health of the Pension Fund to 80% funded by FY2029 and 100% funded by FY2033.

  The first part of the Mayor's pension reform program is a commitment to increasing the City's annual contribution to the Pension Fund. The General Fund contribution makes up the vast majority of the City's annual contribution to the pension fund, totaling more than $649.4 million in FY20 (the all funds total is $769.7 million). In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying the minimum municipal obligation (MMO) which is the amount required under state law, the City has met and will continue to meet its MMO independent of these revenues, so that sales tax dollars directed to the Fund will be over and above the MMO. Over the FY21-FY25 Five Year Plan, the sales tax revenues are projected to be worth about $279.0 million.

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

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

- *Employee Healthcare Costs*: The City will continue to work with its union partners to help address the rising costs of health insurance and promote wellness. The municipal unions each provide benefits for members through union administered Health and Welfare Funds, and the City has minority representation on those boards. Non-union employees are provided benefits through the City Administered Benefits Program (CAP). In FY10, the City moved from a fully-insured model to a self-insurance arrangement. The City also increased employee copays and instituted a disease management and wellness program with financial incentives for completing wellness activities. In FY2015, the City added a tobacco user surcharge and employees pay an additional copay for each prescription if using a pharmacy that sells tobacco products.

Requests for information

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

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

SEAL OF THE CITY OF PHILADELPHIA

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia **Exhibit I**
Statement of Net Position
June 30, 2020

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	38,738	30	38,768	647,322
Equity in Pooled Cash and Investments	-	-	-	504,408
Equity in Treasurer's Account	1,565,516	386,079	1,951,595	-
Investments	41,319	-	41,319	83,903
Due from Component Units	36,760	-	36,760	-
Due from Primary Government	-	-	-	136,933
Internal Balances	7,479	(7,479)	-	-
Amounts Held by Fiscal Agent	131,032	-	131,032	-
Notes Receivable - Net	-	-	-	53,967
Accounts Receivable - Net	725,841	200,617	926,458	390,808
Interest and Dividends Receivable	4,800	-	4,800	28,238
Due from Other Governments - Net	753,856	21,462	775,318	307,602
Inventories	13,674	74,336	88,010	181,405
Other Assets	69,273	707	69,980	98,265
Restricted Assets:				
Cash and Cash Equivalents	-	1,177,767	1,177,767	239,608
Other Assets	-	372,216	372,216	619,583
Capital Assets:				
Land and Other Non-Depreciated Assets	946,087	1,276,987	2,223,074	665,187
Other Capital Assets (Net of Depreciation)	1,725,932	3,653,496	5,379,428	4,327,897
Total Capital Assets, Net	2,672,019	4,930,483	7,602,502	4,993,084
Total Assets	6,060,307	7,156,218	13,216,525	8,285,126
Deferred Outflows of Resources	637,912	106,617	744,529	873,023
Liabilities				
Notes Payable	64,747	155,262	220,009	974
Vouchers Payable	125,919	11,889	137,808	84,437
Accounts Payable	308,803	104,908	413,711	287,539
Salaries and Wages Payable	114,006	8,676	122,682	201,073
Accrued Expenses	49,024	56,893	105,917	219,233
Due to Fiduciary	56,162	-	56,162	-
Due to Primary Government	-	-	-	58,623
Due to Component Units	37,787	5,838	43,625	-
Funds Held in Escrow	18,008	1,667	19,675	12,058
Due to Other Governments	3,762	-	3,762	50,516
Unearned Revenue	625,224	87,003	712,227	187,371
Overpayment of Taxes	267,261	-	267,261	24,412
Other Current Liabilities	-	4,548	4,548	122,677
Derivative Instrument Liability	44,704	5,240	49,944	-
Long-term Liabilities:				
Due within one year				
Bonds Payable & Other Long-term Liabilities	332,158	156,550	488,708	412,383
Due in more than one year				
Bonds Payable & Other Long-term Liabilities	4,621,547	3,842,913	8,464,460	4,986,011
Net OPEB Liability	1,721,567	213,760	1,935,327	596,348
Net Pension Liability	5,438,757	657,128	6,095,885	4,012,372
Total Liabilities	13,829,436	5,312,275	19,141,711	11,256,027
Deferred Inflows of Resources	178,817	23,622	202,439	420,282
Net Position				
Net Investment in Capital Assets	538,627	1,492,844	2,031,471	814,908
Restricted For:				
Capital Projects	257,405	291,213	548,618	5,516
Debt Service	15,234	382,590	397,824	346,513
Pension Oblig Bond Refunding Reserve	-	-	-	9,500
Behavioral Health	291,376	-	291,376	-
Neighborhood Revitalization	269	-	269	-
Philadelphia Art Museum Project	1,793	-	1,793	-
Affordable Housing Project	11,007	-	11,007	-
Cultural & Commercial Corridor Project	1,050	-	1,050	-
Rebuild Project	77,684	-	77,684	-
Home Repair Program	39,497	-	39,497	-
Grant Programs	151,131	-	151,131	29,443
Rate Stabilization	-	151,878	151,878	-
Libraries & Parks:				
Expendable	3,209	-	3,209	-
Non-Expendable	3,827	-	3,827	-
Educational Programs	-	-	-	18,840
Other	101,441	-	101,441	11,142
Unrestricted (Deficit)	(8,803,584)	(391,587)	(9,195,171)	(3,754,022)
Total Net Position	(7,310,034)	1,926,938	(5,383,096)	(2,518,160)

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

City of Philadelphia **Exhibit II**
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
Economic Development	117,988	-	399	94	(117,495)		(117,495)	
Transportation:								
Streets & Highways	175,725	9,780	50,768	33,957	(81,220)		(81,220)	
Mass Transit	90,981	2,313	283	-	(88,385)		(88,385)	
Judiciary and Law Enforcement:								
Police	1,350,260	7,204	10,364	-	(1,332,692)		(1,332,692)	
Prisons	369,821	1,252	-	-	(368,569)		(368,569)	
Courts	362,974	39,282	46,980	-	(276,712)		(276,712)	
Conservation of Health:								
Emergency Medical Services	74,164	11,240	9,272	-	(53,652)		(53,652)	
Health Services	1,842,038	63,531	1,462,434	1,962	(314,111)		(314,111)	
Housing and Neighborhood Development	132,021	18,099	68,253	-	(45,669)		(45,669)	
Cultural and Recreational:								
Recreation	122,482	3,103	7,119	3,685	(108,575)		(108,575)	
Parks	10,700	797	-	1,006	(8,897)		(8,897)	
Libraries and Museums	111,431	1,106	7,608	-	(102,717)		(102,717)	
Improvements to General Welfare:								
Social Services	739,703	7,022	560,624	-	(172,057)		(172,057)	
Education	263,166	-	-	-	(263,166)		(263,166)	
Inspections and Demolitions	57,247	64,730	-	-	7,483		7,483	
Service to Property:								
Sanitation	163,522	14,466	3,265	-	(145,791)		(145,791)	
Fire	470,092	44,467	6,417	-	(419,208)		(419,208)	
General Management and Support	946,503	147,791	103,241	4,237	(691,234)		(691,234)	
Interest on Long Term Debt	158,560	-	-	-	(158,560)		(158,560)	
Total Governmental Activities	7,559,378	436,183	2,337,027	44,941	(4,741,227)		(4,741,227)	
Business Type Activities:								
Water and Sewer	711,350	732,458	860	304	-	22,272	22,272	
Aviation	437,148	366,790	-	20,328	-	(50,030)	(50,030)	
Industrial and Commercial Development	4,412	7,200	-	13,628	-	16,416	16,416	
Total Business Type Activities	1,152,910	1,106,448	860	34,260	-	(11,342)	(11,342)	
Total Primary Government	8,712,288	1,542,631	2,337,887	79,201	(4,741,227)	(11,342)	(4,752,569)	
Component Units:								
Gas Operations	502,566	577,983	12,548	-				87,965
Housing	457,624	58,233	469,443	20,924				90,976
Parking	252,294	265,121	-	-				12,827
Education	4,070,715	37,359	1,240,338	6,926				(2,786,092)
Health	992,722	-	993,566	-				844
Economic Development	154,829	1,319	89,955	-				(63,555)
Total Component Units	6,430,750	940,015	2,805,850	27,850				(2,657,035)
General Revenues:								
Taxes:								
Property Taxes					695,792	-	695,792	829,376
Wage & Earnings Taxes					2,115,618	-	2,115,618	-
Business Taxes					590,369	-	590,369	-
Other Taxes					942,780	-	942,780	469,856
Grants & Contributions Not Restricted to Specific Programs					197,336	58,189	255,525	1,462,750
Unrestricted Interest & Investment Earnings					69,230	48,662	117,892	(221)
Miscellaneous					-	-	-	12,506
Special Items - Gain on Sale of Capital Asset					-	-	-	2,600
Transfers					34,682	(34,682)	-	61,296
Total General Revenues, Special Items and Transfers					4,645,807	72,169	4,717,976	2,838,163
Change in Net Position					(95,420)	60,827	(34,593)	181,128
Net Position - July 1, 2019					(6,910,479)	1,881,510	(5,028,969)	(2,699,002)
Adjustment					(304,135)	(15,399)	(319,534)	(286)
Net Position Adjusted - July 1, 2019					(7,214,614)	1,866,111	(5,348,503)	(2,699,288)
Net Position - June 30, 2020					(7,310,034)	1,926,938	(5,383,096)	(2,518,160)

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

City of Philadelphia **Exhibit III**
Balance Sheet
Governmental Funds
June 30, 2020

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	12,362	-	97	26,279	38,738
Equity in Treasurer's Account	715,131	62,893	281,696	505,796	1,565,516
Investments	-	-	-	41,319	41,319
Due from Other Funds	21,002	-	-	20,210	41,212
Due from Component Units	36,760	-	-	-	36,760
Amounts Held by Fiscal Agent	131,032	-	-	-	131,032
Taxes Receivable	821,678	-	-	30,623	852,301
Accounts Receivable	477,242	-	1,788	3,679	482,709
Due from Other Governmental Units	1,241	255,397	411,212	86,006	753,856
Allowance for Doubtful Accounts	(608,175)	-	.	(14,300)	(622,475)
Interest and Dividends Receivable	2,407	97	-	20	2,524
Other Assets	-	-	-	642	642
Total Assets	1,610,680	318,387	694,793	700,274	3,324,134
Liabilities					
Vouchers Payable	61,594	646	37,870	25,809	125,919
Accounts Payable	128,842	7,166	116,628	55,397	308,033
Salaries and Wages Payable	105,831	2	7,671	502	114,006
Payroll Taxes Payable	-	-	-	136	136
Due to Other Funds	55,258	-	904	21,002	77,164
Due to Component Units	8,781	19,501	5,764	3,741	37,787
Funds Held in Escrow	13,387	-	-	4,621	18,008
Due to Other Governmental Units	3,762	-	-	-	3,762
Unearned Revenue	172,166	-	440,732	12,326	625,224
Overpayment of Taxes	267,261	-	-	-	267,261
Total Liabilities	816,882	27,315	609,569	123,534	1,577,300
Deferred Inflows of Resources	248,269	-	366,033	86,539	700,841
Fund Balances					
Nonspendable	-	-	-	3,827	3,827
Restricted	131,031	291,072	33,355	497,894	953,352
Committed	34,276	-	-	4,856	39,132
Assigned	380,222	-	-	-	380,222
Unassigned	-	-	(314,164)	(16,376)	(330,540)
Total Fund Balances	545,529	291,072	(280,809)	490,201	1,045,993
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,610,680	318,387	694,793	700,274	

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

a. Capital Assets used in governmental activities are not reported in the funds	2,672,019
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	701,224
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,953,705)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	593,208
e. Other	(29,249)
f. Net Pension & OPEB Liabilities are not reported in the funds	(7,160,324)
g. Deferred Inflows (with the excpetion of Unavailable Revenue) are not reported in the funds	(179,200)
Net Position of Governmental Activities	(7,310,034)

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

City of Philadelphia **Exhibit IV**

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	3,581,529	-	-	777,801	4,359,330
Locally Generated Non-Tax Revenue	367,898	5,587	47,652	26,410	447,547
Revenue from Other Governments	362,596	1,034,862	1,048,382	106,798	2,552,638
Other Revenues	13,463	-	-	11,416	24,879
Total Revenues	4,325,486	1,040,449	1,096,034	922,425	7,384,394
Expenditures					
Current Operating:					
Economic Development	48,220	-	399	64,947	113,566
Transportation:					
Streets & Highways	101,884	-	3,282	32,033	137,199
Mass Transit	86,310	-	283	-	86,593
Judiciary and Law Enforcement:					
Police	1,299,060	-	7,854	-	1,306,914
Prisons	359,809	-	-	1,258	361,067
Courts	321,863	-	36,151	-	358,014
Conservation of Health:					
Emergency Medical Services	64,819	-	9,272	-	74,091
Health Services	222,993	1,063,688	366,644	183,980	1,837,305
Housing and Neighborhood			-		
Development	26,285	-	28,733	77,006	132,024
Cultural and Recreational:					
Recreation	105,654	-	7,119	-	112,773
Parks	-	-	-	2,193	2,193
Libraries and Museums	96,633	-	7,038	342	104,013
Improvements to General Welfare:					
Social Services	173,953	-	561,993	-	735,946
Education	263,166	-	-	-	263,166
Inspections and Demolitions	56,273	-	-	-	56,273
Service to Property:					
Sanitation	151,290	-	3,265	7,314	161,869
Fire	461,059	-	6,678	-	467,737
General Management and Support	858,201	-	14,548	56,482	929,231
Capital Outlay	-	-	-	211,043	211,043
Debt Service:					
Principal	5,270	-	-	192,760	198,030
Interest	20,898	-	-	86,542	107,440
Bond Issuance Cost	14,857	-	-	3,783	18,640
Total Expenditures	4,738,497	1,063,688	1,053,259	919,683	7,775,127
Excess (Deficiency) of Revenues Over (Under) Expenditures	(413,011)	(23,239)	42,775	2,742	(390,733)
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	293,360	293,360
Issuance of Refunding Debt	147,615	-	-	178,601	326,216
Bond Issuance Premium	29,338	-	-	64,546	93,884
Capital Lease Proceeds	-	-	-	2,198	2,198
Payment to Refunded Bonds Escrow Agent	(161,880)	-	-	(143,818)	(305,698)
Transfers In	536,476	-	-	283,238	819,714
Transfers Out	(208,847)	-	(40,178)	(536,007)	(785,032)
			-		
Total Other Financing Sources (Uses)	342,702	-	(40,178)	142,118	444,642
Net Change in Fund Balance	(70,309)	(23,239)	2,597	144,860	53,909
Fund Balance - July 1, 2019	615,838	314,311	(283,406)	345,341	992,084
Adjustment	-	-	-	-	-
Fund Balance Adjusted - July 1, 2019	615,838	314,311	(283,406)	345,341	992,084
Fund Balance - June 30, 2020	545,529	291,072	(280,809)	490,201	1,045,993

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds...	53,909
Amounts reported for governmental activities in the statement of activities are different because:	
a. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (206,869) exceeded depreciation (172,876) in the current period..	33,993
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds...	39,275
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds (652,888) exceeded repayments (577,212)...	(75,676)
d. The increase in the Net Pension Liability and Net OPEB Liability reported in the statement of activities does not require the use of current financial resources and therefore is not reported as and expenditure in governmental funds...	(31,999)
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.........	(104,922)
f. Proceeds from the disposition of capital assets is revenue in the governmental funds but decreases capital assets in the statement of net position..	(10,000)
Change in Net Position of governmental activities...	(95,420)

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

City of Philadelphia **Exhibit VI**
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
			Other Non-Major	
Assets	Water and Sewer	Aviation	Industrial & Commercial Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	132,453	243,389	10,237	386,079
Due from Other Governments	-	938	20,524	21,462
Accounts Receivable	174,112	43,214	-	217,326
Allowance for Doubtful Accounts	(15,282)	(1,427)	-	(16,709)
Inventories	17,135	5,511	51,690	74,336
Other Assets	707	-	-	707
Total Current Assets	309,155	291,625	82,451	683,231
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	613,872	563,895	-	1,177,767
Sinking Funds and Reserves	194,951	157,761	-	352,712
Grants for Capital Purposes	-	12,343	-	12,343
Receivables	2,151	5,010	-	7,161
Total Restricted Assets	810,974	739,009	-	1,549,983
Capital Assets:				
Land	5,969	230,643	-	236,612
Infrastructure	2,738,473	1,293,702	-	4,032,175
Construction in Progress	772,229	268,146	-	1,040,375
Buildings and Equipment	1,778,098	2,517,080	-	4,295,178
Less: Accumulated Depreciation	(2,511,493)	(2,162,364)	-	(4,673,857)
Total Capital Assets, Net	2,783,276	2,147,207	-	4,930,483
Total Non-Current Assets	3,594,250	2,886,216	-	6,480,466
Total Assets	3,903,405	3,177,841	82,451	7,163,697
Deferred Outflows of Resources	78,669	27,948	-	106,617
Liabilities				
Current Liabilities:				
Vouchers Payable	6,061	5,828	-	11,889
Accounts Payable	16,865	8,627	-	25,492
Salaries and Wages Payable	4,552	4,124	-	8,676
Construction Contracts Payable	54,820	24,596	-	79,416
Due to Other Funds	7,479	-	-	7,479
Due to Component Units	5,838	-	-	5,838
Accrued Expenses	36,551	20,342	-	56,893
Funds Held in Escrow	1,667	-	-	1,667
Unearned Revenue	11,853	75,150	-	87,003
Commercial Paper Notes	-	155,262	-	155,262
Bonds Payable-Current	87,860	68,690	-	156,550
Other Current Liabilities	2,138	2,410	-	4,548
Total Current Liabilities	235,684	365,029	-	600,713
Derivative Instrument Liability	-	5,240	-	5,240
Net OPEB Liability	145,279	68,481	-	213,760
Net Pension Liability	440,944	216,184	-	657,128
Non-Current Liabilities:				
Bonds Payable, net of Unamortized Premiums/Discounts	2,272,455	1,502,812	-	3,775,267
Other Non-Current Liabilities	44,861	22,785	-	67,646
Total Non-Current Liabilities	2,317,316	1,525,597	-	3,842,913
Total Liabilities	3,139,223	2,180,531	-	5,319,754
Deferred Inflows of Resources	16,088	7,534	-	23,622
Net Position				
Net Investment in Capital Assets	655,874	836,970	-	1,492,844
Restricted For:				
Capital Projects	193,970	97,243	-	291,213
Debt Service	195,498	187,092	-	382,590
Rate Stabilization	151,878	-	-	151,878
Unrestricted	(370,457)	(103,581)	82,451	(391,587)
Total Net Position	826,763	1,017,724	82,451	1,926,938

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

City of Philadelphia

Exhibit VII

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
Operating Revenues:				
Charges for Goods and Services	719,662	74,474	-	794,136
Rentals and Concessions	-	215,703	-	215,703
Operating Grants	860	-	-	860
Miscellaneous Operating Revenues	12,796	5,228	7,200	25,224
Total Operating Revenues	733,318	295,405	7,200	1,035,923
Operating Expenses:				
Personal Services	152,939	86,386	-	239,325
Purchase of Services	125,163	107,925	-	233,088
Materials and Supplies	38,465	8,862	-	47,327
Employee Benefits	146,417	66,410	-	212,827
Indemnities and Taxes	3,189	5,525	-	8,714
Depreciation	125,834	102,393	-	228,227
Cost of Goods Sold	-	-	4,412	4,412
Total Operating Expenses	592,007	377,501	4,412	973,920
Operating Income (Loss)	141,311	(82,096)	2,788	62,003
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	550	57,639	-	58,189
Passenger and Customer Facility Charges	-	71,385	-	71,385
Interest Income	23,167	25,343	152	48,662
Debt Service - Interest	(87,106)	(59,290)	-	(146,396)
Other Revenue (Expenses)	(32,237)	(357)	-	(32,594)
Total Non-Operating Revenues (Expenses)	(95,626)	94,720	152	(754)
Income (Loss) Before Contributions & Transfers	45,685	12,624	2,940	61,249
Transfers In/(Out)	(34,682)	-	-	(34,682)
Capital Contributions	304	20,328	13,628	34,260
Change in Net Position	11,307	32,952	16,568	60,827
Net Position - July 1, 2019	822,084	993,543	65,883	1,881,510
Adjustment	(6,628)	(8,771)	-	(15,399)
Net Position Adjusted - July 1, 2019	815,456	984,772	65,883	1,866,111
Net Position - June 30, 2020	826,763	1,017,724	82,451	1,926,938

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, 2020

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	730,217	310,197	-	1,040,414
Payments to Suppliers	(161,125)	(123,374)	-	(284,499)
Payments to Employees	(297,772)	(150,023)	-	(447,795)
Internal Activity-Payments to Other Funds	-	(7,540)	-	(7,540)
Claims Paid	(3,189)	-	-	(3,189)
Other Receipts (Payments)	-	1,204	-	1,204
Net Cash Provided (Used)	268,131	30,464	-	298,595
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	1,410	56,083	-	57,493
Operating Subsidies and Transfers from/(to) Other Funds	(17,688)	-	-	(17,688)
Net Cash Provided (Used)	(16,278)	56,083	-	39,805
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	300,004	598,786	-	898,790
Capital Grants & Contributions Received	-	22,927	-	22,927
Acquisition and Construction of Capital Assets	(274,033)	(113,255)	-	(387,288)
Interest Paid on Debt Instruments	(100,823)	(76,543)	-	(177,366)
Principal Paid on Debt Instruments	(105,372)	(650,391)	-	(755,763)
Passenger Facility Charges	-	81,995	-	81,995
Other Receipts (Payments)	285	-	-	285
Net Cash Provided (Used)	(179,939)	(136,481)	-	(316,420)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	13,583	-	13,583
Interest and Dividends on Investments	16,613	25,050	152	41,815
Net Cash Provided (Used)	16,613	38,633	152	55,398
Net Increase (Decrease) in Cash and Cash Equivalents	88,527	(11,301)	152	77,378
Cash and Cash Equivalents, July 1 (including $545.0 mil for Water & Sewer and $576.1 mil for Aviation reported in restricted accounts)	657,828	818,585	10,085	1,486,498
Cash and Cash Equivalents, June 30 (including $613.9 mil for Water & Sewer and $563.9 mil for Aviation reported in restricted accounts)	746,355	807,284	10,237	1,563,876
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	141,311	(82,096)	2,788	62,003
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	125,834	102,393	-	228,227
Bad Debts, Net of Recoveries	-	-	-	-
Changes in Assets and Liabilities:				
Receivables, Net	(4,214)	(20,385)	(7,200)	(31,799)
Unearned Revenue	1,114	36,381	-	37,495
Inventories	(1,348)	(30)	4,412	3,034
Accounts and Other Payables	5,775	(5,799)	-	(24)
Accrued Expenses	(341)	-	-	(341)
Net Cash Provided by Operating Activities	268,131	30,464	-	298,595
Schedule of non-cash capital activities:				
Contributions of capital assets	-	-	-	-

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

City of Philadelphia
Exhibit IX
Statement of Net Position
Fiduciary Funds
June 30, 2020

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	22,433	147,606
Equity in Treasurer's Account	6,243,112	68,109
Investments	-	2,470
Securities Lending Collective Investment Pool	391,234	-
Allowance for Unrealized Loss	3	-
Accounts Receivable	5,090	-
Due from Brokers for Securities Sold	215,472	-
Interest and Dividends Receivable	1,519	-
Due from Other Governmental Units	9,943	-
Due from Other Funds	42,732	699
Total Assets	6,931,538	218,884
Liabilities		
Vouchers Payable	82	78
Accounts Payable	203	-
Salaries and Wages Payable	174	-
Payroll Taxes Payable	-	23,207
Funds Held in Escrow	-	195,599
Due on Return of Securities Loaned	391,234	-
Due to Brokers for Securities Purchased	210,233	-
Accrued Expenses	3,120	-
Other Liabilities	371	-
Total Liabilities	605,417	218,884
Net Position Restricted for Pensions	6,326,121	-

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

Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	798,135
Employees' Contributions	113,344
Total Contributions	911,479
Investment Income:	
Interest and Dividends	143,557
Net Decline in Fair Value of Investments	(35,865)
(Less) Investments Expenses	(8,178)
Securities Lending Revenue	2,069
Securities Lending Unrealized Gain	-
(Less) Securities Lending Expenses	(310)
Net Investment Gain	101,273
Miscellaneous Operating Revenues	164
Total Additions	1,012,916
Deductions	
Personal Services	3,878
Purchase of Services	1,685
Materials and Supplies	35
Employee Benefits	5,302
Pension Benefits	908,980
Refunds of Members' Contributions	8,279
Administrative Expenses Paid	168
Other Operating Expenses	91
Total Deductions	928,418
Change in Net Position	84,498
Net Position - July 1, 2019	6,241,623
Net Position - June 30, 2020	6,326,121

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

City of Philadelphia **Exhibit XI**

Statement of Net Position

Component Units

June 30, 2020

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Housing Authority*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Authority for Industrial Development*	Total
Assets									
Cash on Deposit and on Hand	172,267	220,133	61,857	78,646	2	21,212	6,449	86,756	647,322
Equity in Pooled Cash and Investments	-	-	-	-	504,408	-	-	-	504,408
Investments	-	-	14,361	15,360	-	54,182	-	-	83,903
Due from Primary Government	-	-	10,753	-	-	-	126,180	-	136,933
Notes Receivable	-	29,066	24,901	-	-	-	-	-	53,967
Taxes Receivable		-	-	-	154,902	-	-	-	154,902
Accounts Receivable-Net	83,681	21,757	10,511	70,304	41,492	5,926	1,039	1,196	235,906
Interest and Dividends Receivable	-	161	27,056	123	898	-	-	-	28,238
Due from Other Governments	-	93,532		-	209,011	2,712	-	2,347	307,602
Inventories	46,706	759	132,976	-	964	-	-	-	181,405
Other Assets	59,718	6,695	5,906	572	9,509	-	15,865	-	98,265
Restricted Assets:									
Cash and Cash Equivalents	-	54,270	15,173	101,054	40,377		-	28,734	239,608
Other Assets	105,560	4,233	7,677	-	478,905	13,338	-	9,870	619,583
Capital Assets:									
Land and Other Non-Depreciated Assets	91,944	147,784	170	27,869	347,225	39,192	-	11,003	665,187
Other Capital Assets (Net of Depreciation)	1,399,476	978,244	338	150,954	1,565,559	119,388	8,622	105,316	4,327,897
Total Capital Assets	1,491,420	1,126,028	508	178,823	1,912,784	158,580	8,622	116,319	4,993,084
Total Assets	1,959,352	1,556,634	311,679	444,882	3,353,252	255,950	158,155	245,222	8,285,126
Deferred Outflows of Resources	131,441	6,979	-	50,425	677,821	5,936	421	-	873,023
Liabilities									
Notes Payable	-	-	974		-	-		-	974
Vouchers Payable	69,657	-	-	-	-	14,780	-	-	84,437
Accounts Payable	-	9,468	17,651	31,678	214,949	-	8,502	5,291	287,539
Salaries and Wages Payable	6,106	2,804	568	-	187,775	3,820		-	201,073
Accrued Expenses	100,061	12,773	14,182	421	-	1,555	90,241	-	219,233
Funds Held in Escrow	-	1,699	8,240	-	-	243	-	1,876	12,058
Due to Other Governments	-	163	-	4,970	10,781	270	-	34,332	50,516
Due to Primary Government	-	-	-	40,968	-	-	-	17,655	58,623
Unearned Revenue	14,176	1,247	40,896	-	25,099	2,360	4,833	98,760	187,371
Overpayment of Taxes	-	-	-	-	24,412	-		-	24,412
Other Current Liabilities	-	12,583	-	-	63,127	-	46,967		122,677
Non-Current Liabilities:									
Due within one year	53,765	49,776	4,475	16,407	279,935	8,025	-	-	412,383
Due in more than one year	946,059	151,469	50,961	116,562	3,636,346	62,950	-	21,664	4,986,011
Net OPEB Liability	248,209	1,628	-	19,347	179,237	143,625	4,302	-	596,348
Net Pension Liability	237,562	82,223	-	121,109	3,571,478	-	-	-	4,012,372
Total Liabilities	1,675,595	325,833	137,947	351,462	8,193,139	237,628	154,845	179,578	11,256,027
Deferred Inflows of Resources	119,671	3,892	-	29,698	189,910	75,455	1,656	-	420,282
Net Position									
Net Investment in Capital Assets	523,543	661,992	168	95,608	(664,273)	104,726	8,622	84,522	814,908
Restricted For:									
Capital Projects	-	-	-	-	-	5,516	-	-	5,516
Debt Service	102,824	-	12,715	3,514	227,460	-	-	-	346,513
Behavioral Health	-	-	-	-	9,500	-	-	-	9,500
Educational Programs	-	-	-	-	6,531	12,309	-		18,840
Grant Programs	-	-	-	-	-	-	-	29,443	29,443
Other	2,736	8,351	-	-	55	-	-	-	11,142
Unrestricted	(333,576)	563,545	160,849	15,025	(3,931,249)	(173,748)	(6,547)	(48,321)	(3,754,022)
Total Net Position	295,527	1,233,888	173,732	114,147	(4,351,976)	(51,197)	2,075	65,644	(2,518,160)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2020. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2019. The Philadelphia Parking Authority and Philadelphi Housing Authority are presented as of the close of their fiscal year, March 31, 2020.

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, 2020

Exhibit XII

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Position									
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Housing Authority*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corp.	Philadelphia Authority for Industrial Development*	Total
Gas Operations														
Gas Works	502,566	577,983	12,548	-	87,965									87,965
Housing														
Housing Authority	426,932	55,747	422,381	20,924		72,120								72,120
Redevelopment Authority	30,692	2,486	47,062	-			18,856							18,856
	457,624	58,233	469,443	20,924										
Parking														
Parking Authority	252,294	265,121	-	-				12,827						12,827
Education														
School District	3,931,250	5,410	1,177,145	6,926					(2,741,769)					(2,741,769)
Community College	139,465	31,949	63,193	-						(44,323)				(44,323)
Total	4,070,715	37,359	1,240,338	6,926										
Health														
Community Behavioral Health	992,722	-	993,566	-							844			844
Economic Development														
Authority for Ind. Development	154,829	1,319	89,955										(63,555)	(63,555)
Total	154,829	1,319	89,955	-										
Total Component Units	6,430,750	940,015	2,805,850	27,850										(2,657,035)
General Revenues:														
Property Taxes					-	-	-	-	829,376	-	-	-	-	829,376
Other Taxes					-	-	-	-	469,856	-	-	-	-	469,856
Grants & Contributions Not Restricted to Specific Programs					-	15,278	-	-	1,373,186	74,286	-	-	-	1,462,750
Unrestricted Interest & Investment Earnings					-	(1,631)	1,665	(3,840)	-	2,178	453	-	954	(221)
Miscellaneous					-	10,424	-	-	-	2,082	-	-	-	12,506
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	(8)	-	-	-	2,608	2,600
Transfers						-	-	-	-	-	-	-	61,296	61,296
Total General Revenue ,Special items and Transfers					-	24,071	1,665	(3,840)	2,672,410	78,546	453	-	64,858	2,838,163
Change in Net Position					87,965	96,191	20,521	8,987	(69,359)	34,223	1,297	-	1,303	181,128
Net Position - July 1, 2019					207,562	1,137,697	153,211	105,160	(4,282,331)	(85,420)	778	-	64,341	(2,699,002)
Adjustment					-	-	-	-	(286)	-	-	-	-	(286)
Net Position Adjusted - July 1, 2019					207,562	1,137,697	153,211	105,160	(4,282,617)	(85,420)	778	-	64,341	(2,699,288)
Net Position - June 30, 2020					295,527	1,233,888	173,732	114,147	(4,351,976)	(51,197)	2,075	-	65,644	(2,518,160)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2020. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2019. The Philadelphia Parking Authority and the Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2020.

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


SEAL OF THE CITY OF PHILADELPHIA
PHILADELPHIA MANETO

Notes to the Financial Statements
FYE 06/30/2020

Table of Contents

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

As required by GAAP, the financial statements of the City of Philadelphia include those of the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The financial statements of these component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. The criteria to determine an entity as a component unit is established by Governmental Accounting Standards Board Statement (GASBS) No. 14 which has been amended by GASB Statements No. 39, No. 61, and No. 80. Certain other organizations also met the criteria for inclusion, however, they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.

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

A. BLENDED COMPONENT UNITS

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

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

B. DISCRETELY PRESENTED COMPONENT UNITS

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

Philadelphia Gas Works (PGW) – 800 W. Montgomery Ave., Philadelphia, PA 19122
PGW was established by the City to provide gas service to residential and commercial customers within the City of Philadelphia. The City appoints a voting majority of PGW's board and has the ability to modify or approve their budget. PGW meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

Philadelphia Housing Authority (PHA) – 12 South 23RD Street, Philadelphia, PA 19103
PHA was established to provide low cost housing and other social services to the residents of the City. PHA is governed by a nine-member board with all members appointed by the City. In addition, the Mayor of Philadelphia has the ability to remove a majority of PHA's board without cause during any calendar year. Since the City appoints a voting majority of PHA's board and can impose its will, due to the Mayor's ability to remove a majority of the board at will; PHA meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

Philadelphia Redevelopment Authority (PRA) – 1234 Market St., Philadelphia, PA 19107
PRA was established to rehabilitate blighted sections of the City. It is governed by a five-member board appointed by the City and must submit its budgets to the City for review and approval. PRA's reported amounts include the financial activity of the Head House Retail Associates, L.P., which is PRA's discretely presented component unit whose fiscal year ended December 31, 2019. PRA meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

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

School District of Philadelphia (SDP) – 440 N. Broad St., Philadelphia, PA 19130
SDP was established by the Educational Supplement to the Philadelphia Home Rule Charter to provide free public education for the City's residents. As of July 1, 2018, the SDP is governed by a nine-member board appointed by the Mayor and approved by City Council. Since the Mayor appoints the governing board and there exist a financial benefit/burden relationship between the SDP and the City, the SDP meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

Community College of Philadelphia (CCP) – 1700 Spring Garden St., Philadelphia, PA 19130
CCP was established by the City to provide two-year post-secondary education programs for its residents. It is governed by a Board appointed by the City and receives substantial subsidies from the City. CCP's reported amounts include the financial activity of the Community College of Philadelphia Foundation, which is a discretely presented component unit of CCP. Since the City appoints the governing board and there exists a financial benefit/burden relationship between the CCP and the City; the CCP meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

Community Behavioral Health (CBH) – 801 Market St., Philadelphia, PA 19107
CBH is a not-for-profit organization established by the City's Department of Public Health to provide for and administer all behavioral health services required by the Commonwealth of Pennsylvania. Its board is made up of City officials and City appointees. Any decrease in funding would present a financial burden to the City. CBH meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

Philadelphia Authority for Industrial Development (PAID) – 2600 Centre Sq. West, Philadelphia, PA 19102
PAID was formed under the Industrial Development Authority Law to issue debt to finance eligible industrial and commercial development projects. PAID is the delegate agency responsible for administration of certain state grants and acts in the City's behalf on major development projects in the City. The City appoints a voting majority of PAID's board and is responsible for the debt service that PAID issues on the City's behalf. PAID meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports on the following fiduciary funds:

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

The City reports the following major proprietary funds:

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

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

B. COMPONENT UNITS

The component units of the City prepare their financial statements in a manner similar to that of proprietary funds, with the exception of the following:

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

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

4. DEPOSITS AND INVESTMENTS

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

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

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

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

5. INVENTORIES

A. PRIMARY GOVERNMENT

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

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

B. COMPONENT UNITS

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

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

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

Capital Assets, which include property, plant, equipment and infrastructure assets (e.g. bridges, curbs and gutters, streets and sidewalks and lighting systems), are reported in the applicable governmental or business-type activities columns in the government wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years (except for the Aviation Fund which uses $10,000 for personal property and $100,000 for fixed assets). Capital assets are recorded at cost. Costs recorded do not include interest incurred as a result of financing asset acquisition or construction. Assets acquired by gift or bequest are recorded at their acquisition price at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

The City transfers Construction In Process to one or more of the major asset classes: (1) when project expenditures are equal to or have exceeded 90% of the estimated cost on new facilities (except for the Aviation and Water Funds which use “substantially complete” as their determining basis for transferring construction in process to one or more of the major asset classes), (2) when the expenditures are for existing facilities or (3) when they relate to specific identifiable items completed during the year which were part of a larger project.

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In FY13 GASB Statement No. 65 was implemented resulting in bond issuance costs being recognized as an expense and reported in the period incurred.

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

8. INSURANCE

The City, except for the Airport and certain other properties, is self-insured for most fire and casualty losses to its structures and equipment and provides statutory workers' compensation and unemployment benefits to its employees. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, the city-administered health plan, the International Association of Fire Fighters and District Council 47.

9. RECEIVABLES AND PAYABLES

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

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2020 and 2019. Credit balance receivables have been included in unearned revenue in the statement of net position. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written off when recommended by the Law Department.

All trade and property receivables in the governmental-wide financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 36.21% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. The City of Philadelphia and the School District of Philadelphia both impose a tax on all real estate in the City. Current real estate rates are $1.3998 on each $100 assessment, $0.6317 for the City and$0.7681 for the School District of Philadelphia. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION

In accordance with Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the City reports deferred outflows of resources in the Statement of Financial Position in a separate section following Assets. Similarly, the City reports deferred inflows of resources in the Statement of Net Position in a separate section following Liabilities.

Deferred Outflows of resources represents consumption of net position that applies to a future period(s) and will not be recognized as an expenditure/expense until that time. Deferred Inflows of resources represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time.

On the full accrual basis of accounting, the components of the deferred outflows of resources and deferred inflows of resources are as follows:

- Derivative instruments are reported for the changes in fair value.
- Deferred Refunding results from the difference in the refunding of debt and its reacquisition price.
- Deferred pension transactions are recognized as an expense or revenue in a future period.
- Deferred outflows of resources and deferred inflows of resources related to the City's OPEB.

Six component units, including (**PGW),** (**PRA**), (**PPA**), (**SDP**), (**CCP**), and **(PHA)** have items that qualify in some of the categories, which are deferred refunding, deferred pension, and deferred OPEB categories. These items have been reported as deferred outflows or deferred inflows on the City's and the component unit's Statement of Net Position.

(Amounts in Thousands of USD)

Deferred Outflows of Resources	**Governmental Activities**	**Business Type Activities**	**Component Units**
Derivative Instrument	44,704	5,240	13,888
Deferred Charge of Refunding	84,060	40,379	106,403
Deferred Pension Expense	333,768	39,407	646,716
Deferred Outflow OPEB	175,380	21,590	106,017
Total	637,912	106,617	873,023

(Amounts in Thousands of USD)

Deferred Inflows of Resources	**Governmental Activities**	**Business Type Activities**	**Component Units**
Deferred Gain of Refunding	9,647	3,631	18,210
Deferred Pension Revenue	12,498	952	223,208
Unavailable Government Revenue	(384)	-	-
Deferred Inflow OPEB	157,055	19,039	178,863
Total	178,817	23,622	420,281

On the modified accrual statements, there were no deferred outflows and the City has three items that are reported in the Governmental Balance Sheet as deferred inflows: Unavailable Tax revenue, Unavailable Agency revenue and Unavailable Governmental revenue.

(Amounts in Thousands of USD)

Deferred Inflows of Resources	**General Fund**	**Grants Revenue Fund**	**Other Governmental Funds**
Unavailable Tax Revenue	107,680	-	1,958
Unavailable Agency Revenue	103,415	-	-
Unavailable Government Revenue	37,174	366,033	84,581
Total	248,269	366,033	86,539

11. COMPENSATED ABSENCES

It is the City's policy to allow employees to accumulate earned but unused vacation and sick leave benefits. Vacation is accrued when earned in the government-wide financial statements and in the proprietary and fiduciary-fund financial statements. Sick leave is accrued in the government-wide financial statements and in the proprietary and fiduciary-fund financial statements based on an estimate of future payouts.

12. CLAIMS AND JUDGMENTS

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

13. UNEARNED REVENUE

GASB Statement No.65 prohibits the usage of the term "deferred" on any line items other than deferred inflows or outflows. Therefore, the term "Deferred Revenue" has been replaced by "Unearned Revenue". Unearned Revenue as reported in all the City's fund financial statements represents revenue received in advance with the exception of the General Fund. The General Fund reports two types of unearned revenue, Revenue Received in Advance ($5.8 million) and Business Income and Receipts Tax (BIRT) ($166.4 million).

14. NEW ACCOUNTING STANDARDS

In January 2017, **GASB issued Statement No. 84, Fiduciary Activities**. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Per GASB Statement No. 95; implementation of GASB Statement No. 84 has been postponed by one year, making the effective date for reporting periods beginning after December 15, 2019. The City has not completed the process of evaluating the impact of adopting this Statement.

In June 2017, **GASB issued Statement No. 87**, **Leases**. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Per GASB Statement No. 95; implementation of GASB Statement No. 87 has been postponed by 18 months, making the effective date for reporting periods beginning after June 15, 2021. The City has not completed the process of evaluating the impact of adopting this Statement.

In March 2018, **GASB issued Statement No. 88, Certain Disclosures Related to Debt**, **Including Direct Borrowings and Direct Placements**. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City's adoption of Statement No. 88 resulted in additional disclosures related to direct borrowings, direct placements, and lines of credits.

In June 2018, **GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period.** The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Per GASB Statement No. 95; implementation of GASB Statement No. 89 has been postponed by one year, making the effective date for reporting periods beginning after December 15, 2020. The City has not completed the process of evaluating the impact of adopting this Statement.

In August 2018, **GASB issued Statement No. 90, Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61).** The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Per GASB Statement No. 95; implementation of GASB Statement No. 90 has been postponed by one year, making the effective date for reporting periods beginning after December 15, 2019. The City has not completed the process of evaluating the impact of adopting this Statement.

In May 2019, **GASB issued Statement No. 91, Conduit Debt Obligations.** The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Per GASB Statement No. 95; implementation of GASB Statement No. 91 has been postponed by one year, making the effective date for reporting periods beginning after December 15, 2021. The City has not completed the process of evaluating the impact of adopting this Statement.

In January 2020, **GASB issued Statement No. 92, Omnibus 2020.** This Statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports are effective upon issuance, Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan, are effective for fiscal years beginning after June 15, 2020, The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits, are effective for fiscal years beginning after June 15, 2020, The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements are effective for reporting periods beginning after June 15, 2020, Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition are effective for reporting periods beginning after June 15, 2020, Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and Terminology used to refer to derivative instruments. Per GASB Statement No. 95; implementation of GASB Statement No. 92 has been postponed by one year, making the effective date for reporting periods beginning after June 15, 2021. The City has not completed the process of evaluating the impact of adopting this Statement.

In March 2020, **GASB issued Statement No. 93, Replacement of Interbank Offered Rates.** The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR/IBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. The City has not completed the process of evaluating the impact of adopting this Statement.

In March 2020, **GASB issued Statement No. 94**, **Public-Private and Public-Public Partnerships and Availability Payment Arrangements.** The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The City has not completed the process of evaluating the impact of adopting this Statement.

In May 2020, **GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.** The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In May 2020, **GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements.** This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The City has not completed the process of evaluating the impact of adopting this Statement.

In June 2020, **GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.** The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The City has not completed the process of evaluating the impact of adopting this Statement.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

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

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

A. City

City Deposits
State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the bank balance for City deposits was $453.2 million.

City Investments
The City has established a comprehensive investment policy that covers all funds other than the Municipal Pension Fund, Philadelphia Gas Works Retirement Reserve (PGW Pension Fund), and the Fairmount Park and Free Library Trust Funds. Those funds have separate investment policies designed to meet the long-term goals of the fund.

As of June 30, 2020, the total investments of the City, as well as both Pension Trust Funds and the Fairmount Park and Free Library Trust Funds, consisted of:

(Amount in Thousands)

Classification	City (1)	City Trust Funds	PGW Pension Fund	Municipal Pension Fund	Grand Total
State of PA - Invest Program	$ 930	$ -	$ -	$ -	$ 930
Short-Term Investment Pools	408,827	1,150	20,906	369,287	800,170
Commercial Paper	375,102	-	-	250	375,352
U.S. Government Securities	1,543,713	41	42,655	126,722	1,713,131
U.S. Government Agency Securities	636,344	118	39,648	78,606	754,716
Municipal/Other Debt	16,662	482	1,202	14,958	33,304
Foreign Debt	-	-	-	5,578	5,578
Corporate Bonds	345,392	212	81,814	415,705	843,123
CDO's	-	-	-	271	271
Government Bonds	-	-	-	116,066	116,066
Asset Backed Securities	-	-	5,672	28,541	34,213
Mortgage Backed Securities	-	16	1,834	96,832	98,682
Other Bonds and Investments	-	2,317	-	-	2,317
Corporate Equities	-	3,645	350,708	3,225,086	3,579,439
Limited Partnerships	-	-	-	41,737	41,737
Hedge Funds	-	-	-	21,340	21,340
Real Estate	-	-	-	597,760	597,760
Private Equity	-	-	-	574,376	574,376
Grand Total	$ 3,326,970	$ 7,981	$ 544,439	$ 5,713,115	$ 9,592,505

(1) The City's investments do not include blended component units (PMA & PICA).

The City's investments include all operating, capital, debt service and debt service reserve accounts of the City's General Fund, Water Department and Aviation Division. All City investments must be in compliance with applicable provisions of the City Code and City bond resolutions, as well as the City's Investment Policy. The City's Investment Policy is meant to supplement the applicable provisions of the City Code and City bond resolutions and is reviewed and adopted by the City's Investment Committee. The City's Investment Committee consists of the Director of Finance, the City Treasurer, a representative from the Water Department, Aviation Division, and the Philadelphia Gas Works.

City Investments - Credit Risk

The City's policy to limit credit risks is to limit the types of allowable investment, as well as the maximum percent of the portfolio for each type of investment.

The City's investment in US Government securities (46.40%) or US Government Agency obligations (19.13%) are allowable investments up to 100% of the portfolio. The US Government Agency obligations must be rated AAA by Standard & Poor's Corp. (S&P) or Aaa by Moody's Investor Services. All US Government Securities meet the criteria.

The City's investment in commercial paper (11.27%) is limited to 25% of the portfolio and must be rated A1 by S&P or P1 by Moody's Investor's Services, Inc. (Moody's) and the senior long-term debt of the issuer must not be rated lower than A by S&P or Aa2 by Moody's. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (10.38%) is limited to 25% of the portfolio and had a S&P rating of AAA to AA or Moody's rating of Aa2 or better. All corporate investments meet the criteria.

Short Term Investment Pools are rated AAA by S&P and Aaa by Moody's Investor Services. The Short-Term Investment Pools' amortized cost-based net asset value per share/unit is the same as the value of the pool shares. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools).

The City limits its foreign currency risk by investing in certificates of deposit and banker's acceptances issued or endorsed by non-domestic banks that are denominated in US dollars, providing that the banking institution has assets of not less than $100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year, the City did not have any investments of that nature.

To minimize custodial credit risk, the City's policy is to select custodian banks that are members of the Federal Reserve System to hold its investments. Delivery of the applicable investment documents to the City's custodian is required for all investments.

City Investments - Interest Rate Risk

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

(Amounts in thousands of USD)

Classifications	Less than 6 months	7 to 12 months	13 to 18 months	19 to 24 months	Total
Commercial Paper	374,853	249	-	-	375,102
U.S. Government Security	1,110,342	213,990	145,815	73,566	1,543,713
U.S. Government Agency Securities	277,398	155,296	65,188	138,462	636,344
Municipal Debt	8,519	415	7,728	-	16,662
Corporate Bonds	49,103	215,512	60,857	19,920	345,392
Grand Total	1,820,215	585,462	279,588	231,948	2,917,213

City Investments – Fair Value Measurement
The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability
- Level 3: Unobservable inputs for assets or liabilities

The City has the following recurring fair value measurements as of June 30, 2020:

- Commercial paper securities of $375.1 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2)
- U.S. Treasury securities of $1,543.7 million are valued using quoted prices from active markets (Level 1)
- U.S Agency securities of $636.3 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)
- Municipal Debt/Other securities of $16.7 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2)
- Corporate bond securities of $345.4 million are valued using quoted prices for similar securities in active markets and via matrix pricing models (Level 2)

The City's money market and short-term investment pools of $409.8 million are valued at the published amortized cost-based net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

The Fairmount Park Trust Fund has the following recurring fair value measurements as of June 30, 2020:

- Equity Stock securities of $1.5 million are valued using quoted prices from active markets (Level 1)
- ETF and Mutual funds of $3.7 million are valued using quoted prices from active markets (Level 1)
- U.S Treasury securities of $0.04 million, U.S. Agency securities of $0.1 million, Corporate bond securities of $0.2 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)

The Free Library Trust Fund's mutual funds of $2.3 million are valued at the published net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

Municipal Pension Fund
See Footnote IV. 1. PENSION PLANS A. (1) e. Cash Deposits, Investments and Securities Lending

Philadelphia Gas Works Retirement Reserve (PGWRR)
See Footnote IV. 1. PENSION PLANS A. (2) c. Summary of Significant Accounting Policies

B. Blended Component Units

1) PICA

Deposits:
The Authority's funds may be deposited in any bank that is insured by the Federal Deposit Insurance Corporation. To the extent that such deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodians) obligations of the United States, the Commonwealth, or any other political subdivision of the Commonwealth to eliminate the risk of uninsured funds. Under Act 72 of 1971 Session of the Pennsylvania General Assembly (Act 72), as amended, the depositories may meet this requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

At June 30, 2020, PICA's deposits consist of the following:

Cash	$ 1,052,121
Certificates of Deposit	3,185,000
Total	$ 4,237,121

PICA's deposits include bank certificates of deposit that have a remaining maturity, at the time of purchase, of one year or less. US Treasury and Agency obligations with a remaining maturity of one year or less are classified as short-term investments.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has no policy, other than as noted above, that further limits its custodial credit risk. As of June 30, 2020, the Authority's book balance was $4,237,121 and the bank balance was $4,239,983. Of the bank balance, $3,435,000 was covered by federal depository insurance and $804,983 was collateralized under Act 72.

Interest Rate Risk – PICA does not have a formal investment policy, other than as noted above, that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value of Investments - Investments and derivatives are recorded at fair value as of June 30, 2020. GASB Statement No. 72 – Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset (or liability) and may require a degree of professional judgment.

The following table summarizes PICA's investments within the fair value hierarchy at June 30, 2020:

	Fair Value Measurements Using			
Investment Type	Level 1	Level 2	Level 3	Totals
Money Market Funds	13,813,150	-	-	13,813,150
US Treasury & Agency Obligations	12,783,041	9,278,691	-	22,061,732
Municipal Bonds/short-term notes	-	-	-	-
Commercial Paper	-	-	-	-
Total	26,596,191	9,278,691	-	35,874,882

Investment Derivative Instruments:

As of June 30, 2020, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

			Fair Value as of June 30, 2020:		
Government Activities	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount**
2003 Basis Cap	Investment Income	4,291	Investment	128,370	25,120,000
1999 Basis Cap	Investment Income	11,001	Investment	447,003	56,020,000

PICA Series of 2003 and 1999 Basis Cap Agreements

PICA entered into two basis cap transactions with JPMorgan Chase Bank, one in June 2003 related to the 2003 swap and one in April 2004 related to the 1999 swaption. For the 2003 basis cap transaction, beginning in June 15, 2003, the counterparty pays PICA a fixed rate each month of .40% per year times the notional amount times the day count fraction and PICA will pay the counterparty a variable rate based on the greater of (a) the average of Securities Industry and Financial Markets Association (SIFMA) for the month divided by one-month London Interbank Offered Rate (LIBOR) less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction, or (b) zero. The notional amount and term of the agreement equals the notional amount and term of the 2003 interest rate swap noted above.

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

Fair Value - As of June 30, 2020, the 2003 basis cap had a positive fair value of $128,370. This means that PICA would receive this amount to terminate the 2003 basis cap. As of June 30, 2020, the 1999 basis cap had a positive fair value of $447,003. This means that PICA would receive this amount to terminate the 1999 basis cap. The fair values of these swaps were measured using the zero-coupon discount method and are categorized within Level 2 of the fair value hierarchy.

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

2) PHILADELPHIA MUNICIPAL AUTHORITY

INVESTMENTS AND DEPOSITS

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

The investments of the Equipment Acquisition Fund were made in accordance with City investment policies and include money market funds, government securities, corporate bonds and debt obligations.

A summary of the investments at June 30, 2020 is as follows:

	Fair Value	Cost	Maturity Date
Money Market Funds*	$ 11,447,702	$ 11,447,702	N/A
Total	$ 11,447,702	$ 11,447,702	

** Restricted for debt service or capital expenditures. N/A – Not applicable.*

PMA, through its trustees, invested the unexpended cash from the 2017 Juvenile Justice Center Bond Issue, the 2014 Philadelphia Municipal Authority Bond Issues, and the 2013 Energy Conservation and Direct Subsidy Bond Issues in money market funds during the year.

PMA does not have a formally adopted investment policy related to credit risk, but it generally follows the practices of the City. Investments in money market funds were not rated.

Custodial Credit Risk
Custodial credit risk is the risk that in the event of a bank or counterparty failure, PMA's deposits or investments may not be returned to it. PMA does not have a formal policy for custodial credit risk. However, it generally follows the practices of the City.

PMA's depository cash accounts consisted of $204,149 on deposit with two local banks as of June 30, 2020. Amounts are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in PMA's name. As of June 30, 2020, PMA did not have uninsured deposits on hand.

Interest Rate Risk
Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying or hedging. PMA does not have a formal policy for interest rate risk. However, it generally follows the practices of the City.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

PMA's investments qualify as Level 1 investments.

C. Discretely Presented Component Units

1. Philadelphia Authority for Industrial Development Basis Swap

Objective: **PAID** entered into a basis swap that became effective on July 1, 2004, that provided **PAID** with ten equal payments of $1.2 million with the first payment due on July 1, 2004. **PAID** executed the basis swap to create a benefit similar to entering into a synthetic refunding, using a swap based on a percentage of LIBOR, without having to issue bonds or eliminate future advance refunding opportunities. In July, 2006, a portion of the existing basis swap was restructured such that the variable rate received by **PAID** was converted from a percentage of one month LIBOR to a percentage of the five year LIBOR swap rate, on a forward starting basis. This was intended to provide for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio. The restructured portion of the swap was terminated in December 2009 at a benefit.

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

A portion of the original transaction in the amount of $105 million was amended such that the variable payments received by **PAID** were computed as 62.89% of five-year LIBOR + 20 basis points (replacing 67% of one-month LIBOR + 20 basis points). The amendment effective date was October 1, 2006, with variable payments to be made (as described above) through October 1, 2020. On December 1, 2009, **PAID** terminated that portion of the swap that was subject to the amendment and received a termination payment of $3,049,000.

In September 2019, the Basis Swap was fully terminated by **PAID** with MLCS.

2. School District of Philadelphia Basis Swaps

Objective, Terms, Fair Value and Accounting of Derivative Instruments:

The School District, on November 21, 2006, entered into two qualified interest rate management agreement basis swaps initially related to its 2003B School Lease Revenue Bonds. Subsequently, on December 28, 2006, the District refunded these 2003B bonds under School Lease Revenue Bonds 2006B. Further, on November 16, 2016 a portion of the 2006B bonds were refunded under the 2016A School Lease Revenue Bonds. Thus, the derivatives are following the debt.

The School District engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, and evaluation of the swaps for compliance with GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments". Fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps. Fair values reflect the effect of non-performance risk, which includes The School District's credit risk.

The swaps where the School District pays and receives floating rates--basis swaps--are deemed investment instruments under GASB 53 and are accounted for as investment instruments.

The School District's interest rate swaps were terminated on January 29, 2020; therefore, the School District has no outstanding derivative instruments as of June 30, 2020.

Credit risk: This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk, at the reporting date, is the total mark-to-market value of swaps netting, or aggregating, under a contract between the School District and each counterparty. The School District would be exposed to credit risk on derivative instruments under a netting agreement that would total to an asset position. As of June 30, 2020, the School District has no credit risk exposure on swap contracts because the swaps were terminated as of January 29, 2020.

Termination risk: Only the School District may terminate the two existing basis swaps if the counterparty fails to perform under the terms of the respective contracts. If at the time of termination, the swaps have a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's mark-to-market value. The School District terminated the swaps on January 29, 2020 with a total negative mark-to-market value of $1,415,824. Therefore, the School District has no termination risk exposure as of June 30, 2020.

The chart below presents the details of this change:

Associated Bonds	Accrued Interest as of June 30, 2019	Valuation Amount (Fair Value (GASBS 72) as of June 30, 2019	Accrued Interest as of January 29, 2020 (Termination Date)	Valuation Amount (Fair Value (GASBS 72) as of January 29, 2020 (Termination Date)	Change in Fair Value as of January 29, 2020 (Termination Date)
Series 2006B & 2016A School Lease Revenue Bonds	$ 4,390.55	$ 1,441,747.35	$ 34,809.79	$ 1,190,000.00	$ (251,747.35)
Series 2006B & 2016A School Lease Revenue Bonds	$ 10,244.62	$ 3,364,077.15	$ 81,222.84	$ 2,200,000.00	$ (1,164,077.15)
		$ 4,805,824.50		$ 3,390,000.00	$ (1,415,824.50)

On January 29, 2020, the District received a termination fee of $3,390,000 from the counterparties.

2. SECURITIES LENDING

A. GOVERNMENTAL FUNDS:

The City Treasurer is prohibited from lending or selling city-owned securities with an agreement to buy them back after a stated period of time (City of Philadelphia - Investment Policy Section VI. Investment Restrictions)

B. PENSION TRUST FUNDS

1. City Plan (Municipal Pension Fund):

- The Board of Directors of the Municipal Pension Fund has authorized management of the Fund to participate in securities lending transactions.
- See Footnote IV. 1. PENSION PLANS A. (1) e. Cash Deposits, Investments and Securities Lending

2. Philadelphia Gas Works (PGW) Plan

- The Board of Directors of the Sinking Fund Commission on behalf of Philadelphia Gas Works Retirement Reserve Fund ("PGWRR") has authorized the management of these funds to participate in securities lending transactions.
- As of June 1, 2014, the Plan no longer participates in a securities lending program. In December 2011, Wells Fargo, the custodian of the Plan, with the written consent of the Plan, assigned the securities lending program to Citibank. The agreement between the parties gave both parties the right to terminate the arrangement with at least 15 days' notice. On May 9, 2014, Citibank gave written communication to the Plan that they wished to terminate the arrangement effective June 1, 2014.

3. AMOUNTS HELD BY FISCAL AGENT

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

A. GOVERNMENTAL FUNDS

The General Fund consists of cash and investment balances related to the net proceeds of PAID's Sports Stadium Financing Lease 2007 Series B Revenue Bonds, PAID's City Service Agreement Refunding Revenue Series Bond 2012, PAID's City Agreement - Cultural & Commercial Corridor Program - Revenue Refunding Series Bond 2016A, PAID's City Agreement – Philadelphia Central Library Project - Revenue Refunding Series Bond 2016B, PAID's City Service Agreement – Affordable Housing Preservation 2017 Series Bonds, PAID's City Service Agreement – Museum of Art Series 2018A Revenue Bonds, PAID's City Service Agreement – One

Parkway Series 2018B Revenue Refunding Bonds, PAID's City Service Agreement – Rebuild Project – Revenue Bonds Series 2018, PAID's Lease Revenue Refunding Series 2019 Bonds, and PRA's City Service Agreement Revenue Bonds Series 2018.

Grants Revenue Fund - There are no amounts reported for fiscal year 2020 for the Grants Revenue Fund.

B. PROPRIETARY FUNDS

There are no amounts reported for fiscal year 2020 - Proprietary Funds.

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

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

(Amounts in Thousands)

	Interfund Receivables Due to:					
	General	Non major Special Revenue	Capital	Pension Fund	Other Funds	Total
Interfund Payables Due From:						
General	$ -	$ 2,101	$ 9,726	$ 42,732	$ 699	$ 55,258
Grants Revenue Fund	-	904		-	-	904
Water & Sewer Fund	-	7,479		-	-	7,479
Non major Special Revenue Funds	21,002	-		-	-	21,002
Total	$ 21,002	$ 10,484	$ 9,726	$ 42,732	$ 699	$ 84,643

B. COMPONENT UNITS

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

(Amounts in Thousands)

	Receivables Due to:										
	General	Aviation	CBH	PRA	PAID	PGW	PPA	PHA	CCP	Timing Difference	Total
Payables Due From:											
General Fund	$ -	$ -	$ -	$ -	$ 7,442	$ 1,290	$ 5	$ 43	$ -	$ -	$ 8,780
Behavioral Health	-	-	19,501	-	-	-	-	-	-	-	19,501
Grants Revenue	-	-	1,472	4,251	-	-	-	36	5	-	5,764
Community Dev.	-	-	-	28	-	-	-	-	-	-	28
Capital Improvement	-	-	-	519	918	-	-	-	-	-	1,437
Housing Trust	-	-	-	2,276	-	-	-	-	-	-	2,276
Water Fund	-	-	-	-	3,341	2,468	29	-	-	-	5,838
PPA	-	33,702	-	-	-	-	-	-	-	7,266	40,968
PAID	36,760	-	-	-	-	-	-	-	-	(19,105)	17,655
Timing Difference	-	(33,702)	105,207	3,679	(11,701)	(3,758)	(34)	(79)	(5)	-	59,165
Total	$ 36,760	$ -	$ 126,180	$ 10,753	$ -	$ -	$ -	$ -	$ -	$ (11,839)	$ 161,412

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity of the primary government for the year ended June 30, 2020 was as follows:

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	900.0	27.0	-	927.0
Fine Arts	1.0	-	-	1.0
Property Available for Sale	10.0	-	(10.0)	-
Construction In Process	13.0	5.0	-	18.0
Total capital assets not being depreciated	924.0	32.0	(10.0)	946.0
Capital assets being depreciated:				
Buildings	2,558.0	46.0	(3.0)	2,601.0
Other Improvements	387.0	9.0	-	396.0
Equipment	588.0	56.0	(17.0)	627.0
Infrastructure	1,782.0	49.0	-	1,831.0
Intangibles	52.0	12.0	-	64.0
Transit	292.0	-	-	292.0
Total capital assets being depreciated	5,659.0	172.0	(20.0)	5,811.0
Less accumulated depreciation for:				
Buildings	(1,676.0)	(72.0)	3.0	(1,745.0)
Other Improvements	(284.0)	(9.0)	-	(293.0)
Equipment	(409.0)	(35.0)	17.0	(427.0)
Infrastructure	(1,304.0)	(44.0)	-	(1,348.0)
Intangibles	(14.0)	(7.0)	-	(21.0)
Transit	(246.0)	(5.0)	-	(251.0)
Total accumulated depreciation	(3,933.0)	(172.0)	20.0	(4,085.0)
Total capital assets being depreciated, net	1,726.0	-	-	1,726.0
Governmental activities capital assets, net	2,650.0	32.0	(10.0)	2,672.0

Capital Asset activity of the primary government, business-type activities for the year ended June 30, 2020 was as follows:

(Amounts In Millions of USD)

Business-Type Activities - Enterprise Funds	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	236.3	0.3	-	236.6
Construction In Process	1,055.5	373.7	(388.8)	1,040.4
Total capital assets not being depreciated	1,291.8	374.0	(388.8)	1,277.0
Capital assets being depreciated:				
Buildings	3,649.1	92.2	(55.7)	3,685.6
Other Improvements	402.9	31.9	-	434.8
Equipment	183.0	20.2	(28.5)	174.8
Intangible Assets	21.8	2.4	-	24.2
Infrastructure	3,754.0	254.5	(0.5)	4,008.0
Total capital assets being depreciated	8,010.8	401.3	(84.7)	8,327.4
Less accumulated depreciation for:				
Buildings	(2,047.7)	(106.8)	41.0	(2,113.4)
Other Improvements	(230.7)	(17.8)	-	(248.5)
Equipment	(136.0)	(15.0)	25.8	(125.2)
Intangible Assets	(13.9)	(1.4)	-	(15.3)
Infrastructure	(2,086.4)	(85.0)	-	(2,171.5)
Total accumulated depreciation	(4,514.7)	(226.0)	66.8	(4,673.9)
Total capital assets being depreciated, net	3,496.0	175.3	(17.8)	3,653.5
Business-type activities capital assets, net	4,787.8	549.3	(406.6)	4,930.5

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

(Amounts in Millions of USD)

Governmental Activities:	
Economic Development	2
Transportation:	
Streets & Highways	49
Mass Transit	4
Judiciary and Law Enforcement:	
Police	26
Prisons	6
Courts	1
Conservation of Health:	
Health Services	4
Cultural and Recreational:	
Recreation	14
Parks	13
Libraries and Museums	7
Improvements to General Welfare:	
Social Services	2
Service to Property:	
Fire	10
General Management & Support	34
Total Governmental Activities	172

Depreciation expense was charged to the primary government, business-type activities as follows:

Business-Type Activities:	(Amounts in Millions of USD)
Water and Sewer	126
Aviation	102
Total Business Type Activities	228

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, 2020:

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	129.2	-	-	0.1	129.3
Construction In Process (1)	152.9	135.0	-	(70.0)	217.9
Total capital assets not being depreciated	282.1	135.0	-	(69.9)	347.2
Capital assets being depreciated:					
Buildings	1,766.5	0.8	-	0.7	1,768.0
Other Improvements (2)	1,371.4	61.2	-	69.2	1,501.8
Intangible Assets (3)	79.2	0.7	-	-	79.9
Personal Property & Equipment (4)	194.6	5.9	(5.8)	-	194.7
Total capital assets - Depreciated	3,411.7	68.6	(5.8)	69.9	3,544.4
Less accumulated depreciation for:					
Buildings	(762.7)	(30.0)	-	-	(792.7)
Other Improvements (5)	(924.4)	(44.0)	-	-	(968.4)
Intangible Property (6)	(63.3)	(3.6)	-	-	(66.9)
Personal Property & Equipment (7)	(145.4)	(14.1)	5.3	-	(154.2)
Total accumulated depreciation	(1,895.8)	(91.7)	5.3	-	(1,982.2)
Total capital assets being depreciated, net	1,515.9	(23.1)	(0.5)	69.9	1,562.2
Governmental Activity - Capital Assets, Net	1,798.0	111.9	(0.5)	-	1,909.4

1. The beginning balance for Construction in Progress was adjusted to reflect a ($194,689) prior period adjustment for non-capitalizable expenditures, as well as ($10,980,859) to establish the Development in Progress category for future intangible assets currently in the development stage.
2. The beginning balance for Improvements was adjusted by ($7,605,420) to reduce the value incorrectly recorded as Improvements. See (3) below.
3. The beginning balance for Intangibles was adjusted by $7,605,420 to increase the value incorrectly recorded as Improvements. See (2) above.
4. The beginning balance for Personal Property was adjusted by ($95,100) to reduce the value to reflect the correction of recording errors. See (7) below.
5. The beginning balance for Improvements Accumulated Depreciation was adjusted by $7,605,420 to reduce the value incorrectly recorded as Improvements. See (6) below.
6. The beginning balance for Intangibles Accumulated Depreciation was adjusted by ($7,605,420) to increase the value incorrectly recorded as Improvements. See (5) above.
7. The beginning balance for Personal Property Accumulated Depreciation was adjusted by $3,510 to reduce the value associated with the correction of recording errors. See (4) above.

(Amounts In Millions of USD)

Business-type Activities:	Beginning Balance	Adjustment	Increases	Decreases	Ending Balance
Capital assets not being depreciated:					
Land	91.0	-	0.0	(0.1)	90.9
Fine Arts	0.8	-	0.1	-	0.9
Construction In Process	265.8	-	208.3	(248.0)	226.2
Total capital assets not being depreciated	357.6	-	208.5	(248.1)	318.0
Capital assets being depreciated:					
Buildings	2,502.6	-	2.0	129.3	2,633.8
Other Improvements	384.0	-	8.8	(0.2)	392.6
Equipment	589.7	-	16.3	(0.4)	605.6
Infrastructure	2,043.3	-	111.7	(2.7)	2,152.3
Total capital assets being depreciated	5,519.6	-	138.7	126.1	5,784.3
Less accumulated depreciation for:					
Buildings	(1,442.1)	-	(57.9)	6.4	(1,493.6)
Other Improvements	(225.0)	-	(11.5)	(0.7)	(237.2)
Equipment	(271.9)	-	(18.4)	(1.8)	(292.1)
Infrastructure	(950.0)	-	(43.9)	(2.1)	(996.0)
Total accumulated depreciation	(2,888.9)	-	(131.7)	1.8	(3,018.9)
Total capital assets being depreciated, net	2,630.7	-	7.0	127.8	2,765.5
Capital assets, net	2,988.3	-	215.4	(120.3)	3,083.4

6. NOTES PAYABLE

The Aviation Fund established a commercial paper (CP) program, which closed on August 22, 2019, in the amount of $350 million to provide funding for capital projects currently approved by airlines. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia International Airport's CP Program will enable projects to be financed on an as-needed basis; lower the Airport's cost of borrowing, as amounts drawn can be closely matched to capital cash flow requirements; and limit negative arbitrage during the construction period for projects. CP Notes will be "rolled over" until long-term bonds are issued to refund the outstanding commercial paper. There were $155.3 million notes outstanding at June 30, 2020.

As of June 30, 2020, the Aviation fund had outstanding letters of credit of $155.3 million and unused letters of credit equal to $194.7 million related to the CP program.

Pursuant to a contract between the City and the United States Department of Housing and Urban Development (HUD), the City borrows funds through the HUD Section 108 loan program for the purpose of establishing loan pools to finance qualifying businesses and specific development projects. These funds are placed in custodial accounts established by the Philadelphia Industrial Development Corporation (PIDC), as designee of the City, and are being administered on behalf of the City by PIDC. While the City is the primary borrower, PIDC, acting as the City's designee, makes the repayments on the City's HUD Section 108 Notes Payable. Loan repayments and investment proceeds from un-loaned funds are used to repay the Notes Payable. If there is a deficiency in these resources, the City authorizes PIDC to use Community Development Block Grant (CDBG) program income funds on hand at PIDC to repay the Notes Payable. From fiscal year 2006 through 2020, $12.8 million of CDBG program income funds had been used to repay the debt. Collateral for repayment of the HUD Section 108 loans includes future CDBG entitlements due to the City from HUD.

As of June 30, 2020, HUD had disbursed $150.0 million in loans to PIDC and the amount of outstanding HUD Section 108 Notes Payable was $64.8 million. In connection with this Notes Payable, a corresponding receivable due from PIDC has been recorded under Other Assets on the Governmental Activities Statement of Net Position. The total amount of loans made from HUD to PIDC and amount of HUD loans that are left to be repaid differ from the amounts disclosed in the PIDC 12/31/19 audit report, as PIDC' s audit reports are done on a calendar year basis and the HUD Contingent Liability Report is done on a fiscal year basis.

Scheduled repayments of the HUD Section 108 Notes Payable for the next five years and thereafter as of June 30, 2020 are as follows:

HUD Section 108 Notes Payable, 5 Years and Thereafter

Year ending June 30,		
2021		3,840,000
2022		4,170,000
2023		4,381,000
2024		4,608,000
2025		2,807,000
Thereafter		44,941,000
Total	$	64,747,000

PGW, Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may sell short-term notes to either support working capital requirements or pay the costs of certain capital projects and other project costs. PGW may issue short-term notes in a principal amount, which, together with interest, may not exceed $150.0 million outstanding to support working capital requirements. PGW may also issue additional short-term notes in an aggregate principal amount, which may not exceed $120.0 million outstanding at any time to pay the costs of certain capital projects and other project costs. As of December 1, 2017, all notes are supported by a Note Purchase and Credit Agreement and a security interest in PGW's revenues. Prior to that, all notes were supported by two irrevocable letters of credit and a security interest in PGW's revenues. The Note Purchase and Credit Agreement supporting PGW's combined commercial paper programs set the maximum level of outstanding notes plus interest at $120.0 million in FY 2020 and FY 2019, respectively. The commitment amount is $120.0 million under the current credit agreements. The expiration date of the credit agreements is December 31, 2021. There were no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) or Gas Works Revenue Notes outstanding at August 31, 2020 and 2019.

PPA, On January 29, 2015, The Authority borrowed $6,000,000 for the Philadelphia Airport Parking Garage Project in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures April 1, 2021, as a result of a two-year extension. The balance of the note payable at March 31, 2020 and 2019, is $4,793,700, respectively.

On January 29, 2015, The Authority borrowed $15,000,000 for the Philadelphia Airport Parking Garage in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures April 1, 2021, as a result of a two-year extension. The balance of the note payable at March 31, 2020 and 2019, is $13,488,093,
respectively.

The aggregate annual principal and sinking fund payments of debt at March 31, 2020, are as follows:

Fiscal Year Ending March 31,	Revenue Bonds Principal Amount	Revenue Bonds Interest Amount	Notes Payable Principal Amount	Notes Payable Interest Amount	Total
2021	$ 16,406,688	$ 4,596,320	$ -	$ 397,556	$ 21,400,564
2022	15,286,943	3,794,940	18,281,793	-	37,363,676
2023	15,946,943	3,060,147	-	-	19,007,090
2024	16,636,943	2,283,665	-	-	18,920,608
2025	10,386,943	1,646,457	-	-	12,033,400
2026-2030	34,674,860	3,882,598	-	-	38,557,458
	$ 109,339,320	$ 19,264,127	$ 18,281,793	$ 397,556	$ 147,282,796

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, 2020, the statutory limit for the City is $11.0 billion, the General Obligation Debt, net of deductions authorized by law, is $2.2 billion; leaving a legal debt borrowing capacity of $8.8 billion. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims are typically paid by the General Fund. The following schedule reflects the changes in long-term liabilities for the fiscal year:

Long Term Debt Governmental Changes - Primary Government *(Amounts In Millions of USD)*

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity					
Bonds Payable - General Obligation Bonds					
Term Bonds	28.6			28.6	-
Refunding Bonds	947.4	118.0	(59.5)	1,005.9	52.3
Serial Bonds	532.1	293.4	(136.0)	689.5	35.8
Add: Bond Premium	116.1	64.5	(25.3)	155.3	-
Less: Unamortized Discount	(0.0)		-	(0.0)	-
Total Bonds Payable - General Obligation Bonds	1,624.2	475.9	(220.8)	1,879.3	88.1
Bonds Payable - Blended Component Units					
Term Bonds - PMA	153.0		(4.9)	148.1	5.1
Term Bonds - PICA	129.7	56.1	(129.7)	56.1	22.1
Add: Bond Premium	20.3		(11.9)	8.4	
Total Bonds Payable - Blended Component Units	303.1	56.1	(146.5)	212.6	27.2
Total Bonds Payable	1,927.2	532.0	(367.3)	2,091.9	115.3
Obligations Under Lease & Service Agreements					
Pension Service Agreement	772.3	19.6	(104.9)	687.0	70.0
Neighborhood Transformation	196.8	-	(11.6)	185.2	12.2
One Parkway	24.8	-	(2.6)	22.2	2.7
Sports Stadium	117.0	-	(49.4)	67.7	4.9
Notes from Direct Placement & Direct Borrowing	117.3	-	(117.3)	-	-
Stadium Series 2019A	0.0	147.6	-	147.6	10.2
Library	4.3	-	(0.7)	3.7	0.7
Cultural Corridor Bonds	80.7	-	(4.5)	76.1	4.7
City Service Agreement	299.8			299.8	23.2
Affordable Housing Preservation Project	51.2	-	(1.8)	49.3	1.9
Philadelphia Museum of Art	9.9	-	(0.3)	9.6	0.3
PAID Rebuild Project Series 2018	79.5	-	(2.8)	76.6	3.0
Add: Bond Premium	44.1	29.3	(9.5)	64.0	
Total Obligations Under Lease & Service Agreements	1,797.6	196.5	(305.4)	1,688.7	133.8
Other Long-term Liabilities					
Legal Claims	51.8	94.4	(47.7)	98.5	-
Worker's Compensation Claims	232.6	73.6	(65.0)	241.2	-
Medical Claims	23.4	96.6	(99.8)	20.2	20.2
Termination Compensation Payable (1)	551.2	73.4	(50.3)	574.3	57.4
Leases	244.2		(5.3)	238.9	5.5
Total Other Long-term Liabilities	1,103.2	338.0	(268.1)	1,173.2	83.1
Total Bonds Payable, Obligations Under Lease & Svc Agreements, and OLTL	4,828.1	1,066.6	(940.8)	4,953.8	332.2
Net Pension and OPEB Liability					
Net Pension Liability	5,313.8	126.2	(1.2)	5,438.8	-
OPEB Liability	1,623.6	120.2	(22.2)	1,721.6	-
Total Net Pension and OPEB Liability	6,937.4	246.4	(23.4)	7,160.4	-
Governmental Activity Long-term Liabilities	11,765.5	1,313.0	(964.2)	12,114.2	332.2

(1) Termination Compensation Payable FY20 beginning balance adjusted to record $304.1 million of accumulated unpaid sick leave.

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

(Amounts in Millions of USD)

	Interest Rates					Principal	Due Dates				
Governmental Funds:											
City	1.716	%	to	5.250	%	1,723.9	Fiscal	2021	to	2042
PMA	2.625	%	to	5.087	%	148.1	Fiscal	2021	to	2044
PICA	5.000	%	to	5.000	%	56.1	Fiscal	2021	to	2023
						1,928.1				

- In January 2020, the City issued $118.0 million of General Obligation Refunding Bonds Series 2020A. The proceeds of the sale were used to refund the City's General Obligation Series 2013A Bonds maturing on July 15 2022 through July 15, 2025 and July 15, 2028 through July 15, 2033, which are subject to optional redemption on July 15, 2021, and to pay for the cost of issuance of the bonds. The interest rates of the Bonds that were refunded ranged from 4.125% to 5.250%. The interest rates of the newly issued Bonds ranged from 1.716% to 3.014%. The transaction resulted in a total savings to the City of $17.8 million over the next 14 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was $14.6 million.
- In August 2019, the City issued $293.4 million of General Obligation Bonds, Series 2019B Bonds. The proceeds will be used to (i) pay all or a portion of the costs of certain projects in the City's capital budgets, and (ii) pay the costs relating to the issuance of the 2019B Bonds. The 2019B Bonds were issued at an interest rate of 5.000%. The total proceeds were $357.9 million (which includes a premium of $64.5 million).
- The City's notes from direct placement and direct borrowings related to governmental activities of $117.3 million contain a provision that in the event of default, the purchaser may declare the outstanding amount immediately due and payable. The City's notes from direct placement and direct borrowings were refunded with the issuance of the PAID Series 2019 Lease Revenue Refunding Bonds of $147.6 million.
- The City's GO bonds series 2009B, 2011, 2012A, 2013A, 2014A, 2015A, 2015B, 2017, 2017A, 2019A, 2019B, and 2020A have certain provisions where should a Bondholder fail to receive payment of principal and interest when due and payable, a suit may be brought against the City to seek a judgement for the unpaid amount. A judgement creditor may cause the court to issue a writ commanding the City Treasurer to cause the judgement to be paid out of any unappropriated monies of the City, and if there be no such monies, out of the first monies that shall be received for the use of the City. The City's Home Rule Charter requires that, if any obligations of the City are not paid or provided for within the fiscal year in which such obligations are payable, the annual operating budget ordinance for the following fiscal year shall provide for discharging the resulting deficit.
- Philadelphia Municipal Authority (PMA) 2012A, 2012B, 2014B, 2017 bonds have certain provisions where, upon occurrence of Event of Default, Bondholders may declare the outstanding amount immediately due and payable; however, Bondholders do not have the right to accelerate lease payments by the City under the respective Prime Leases/Service Agreements
- The City has General Obligation Bonds authorized and un-issued at year-end of $563.8 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts in Millions of USD)

	City Fund		Blended Component Units			
Fiscal	General Fund		PMA		PICA	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2021	88.1	79.8	5.1	6.9	22.1	2.8
2022	92.2	75.4	5.4	6.7	23.1	1.7
2023	97.6	70.8	5.6	6.4	10.9	0.5
2024	102.1	66.2	5.9	6.1	-	-
2025	106.8	61.2	6.2	5.8	-	-
2026-2030	527.6	229.5	29.1	24.6	-	-
2031-2035	460.6	110.2	36.7	17.7	-	-
2036-2040	232.8	27.9	39.3	8.2	-	-
2041-2044	16.3	0.8	14.7	1.6	-	-
Totals	1,723.9	721.7	148.0	84.0	56.1	5.0

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

(Amounts in Millions of USD)

	Lease & Service Agreements							
Fiscal Year	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	66.5	33.3	12.2	9.0	2.7	1.1	15.2	9.7
2022	66.7	38.1	12.8	8.4	2.9	1.0	16.1	9.0
2023	25.0	34.8	13.4	7.8	3.0	0.8	16.9	8.2
2024	27.5	37.6	12.8	7.1	3.2	0.7	17.7	7.4
2025	25.5	39.2	13.4	6.5	3.3	0.5	18.5	6.6
2026-2030	475.9	94.4	81.5	21.6	7.1	0.5	106.5	18.6
2031-2035	-	-	28.2	4.7	-	-	24.4	0.6
2036-2040	-	-	11.0	1.1	-	-	-	-
Totals	687.0	277.4	185.2	66.1	22.2	4.6	215.3	60.1

Fiscal	Central Library		Cultural Corridors		City Svc Agreement	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2021	0.7	0.1	4.7	3.7	23.2	11.8
2022	0.7	0.1	5.0	3.4	19.0	10.9
2023	0.7	0.1	5.2	3.2	64.7	10.2
2024	0.8	0.0	5.5	2.9	62.0	7.6
2025	0.8	0.0	5.8	2.6	64.8	5.2
2026-2030	-	-	33.8	8.4	66.0	2.6
2031-2035	-	-	16.1	0.8	-	-
Totals	3.7	0.4	76.1	25.1	299.8	48.3

(Amounts in Millions of USD)

Fiscal	Affordable Housing		Museum of Art		Rebuild Project	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2021	1.9	2.4	0.3	0.5	3.0	3.8
2022	2.0	2.3	0.4	0.5	3.1	3.7
2023	2.1	2.2	0.4	0.4	3.3	3.5
2024	2.2	2.1	0.4	0.4	3.4	3.4
2025	2.3	2.0	0.4	0.4	3.6	3.2
2026-2030	10.5	8.3	2.4	1.7	16.3	13.3
2031-2035	16.4	5.1	3.1	1.0	25.4	8.6
2036-2040	12.0	0.9	2.2	0.2	18.5	1.9
Totals	49.3	25.4	9.6	5.1	76.6	41.4

(2) Business Type Debt Payable

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

Long Term Debt Business Changes - Business Type *(Amounts In Millions of USD)*

Business-Type Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	-	-	-	-	-
Revenue Bonds	3,417.8	250.7	(169.7)	3,498.7	156.6
Notes from Direct Placement & Direct Borrowing	122.8		(2.3)	120.5	2.4
Add: Bond Premium	286.3	55.2	(26.5)	315.0	-
Total Bonds Payable	3,826.9	305.8	(198.5)	3,934.2	159.0
Other Long Term Liabilities					
Indemnity Claims (1)	6.6	3.8	(5.2)	5.2	-
Worker's Compensation Claims	28.8	4.4	(6.3)	26.9	-
(1) Termination Compensation Payable	38.4	5.0	(3.8)	39.6	4.0
Arbitrage	-			-	-
Total Other Long Term Liabilities	73.8	13.2	(15.3)	71.7	4.0
Total Bonds Payable & Other Long Term Liabilities	3,900.7	319.1	(213.9)	4,005.9	163.0
Net Pension and OPEB Liability					
Net Pension Liability	641.6	15.6	(0.1)	657.1	-
Net OPEB Liability	201.5	14.9	(2.6)	213.8	-
Total Net Pension and OPEB Liability	843.1	30.5	(2.7)	870.8	-
Business-Type Activity Long-term Liabilities	4,743.8	349.6	(216.6)	4,876.7	163.0

(1) Beginning balance adjusted to establish a prior period liability related to unpaid sick leave.

The City has Business Type Debt - General Obligation Bonds authorized and un-issued at fiscal year-end of $352.6 million. This includes $211.6 million for the Enterprise Funds and $92 million for **PGW;** and $49.0 related to the City's Primary Government – G.O. Bonds.

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

(Amounts in Millions of USD)

	Interest Rates					Principal	Due Dates			
Water Fund	1.411	%	to	5.125	%	2,149.5	Fiscal	2021	to	2055
Aviation Fund	2.797	%	to	5.250	%	1,469.8	Fiscal	2021	to	2048
Total Revenue Debt Payable						3,619.3				

- In August 6, 2019, the City issued $250.7 million of Water and Wastewater Revenue Bonds, Series 2019B. The 2019B bonds were issued for the purpose of providing funds which, together with the other available funds of the City, will be used to finance (i) capital improvements to the City's Water and Wastewater Systems, and (ii) a deposit to the Debt Reserve Account of the Sinking Fund, and (iii) the costs of issuance relating to the issuance of the 2019B bonds. The total proceeds were $305.8 million (which includes a premium of $55.1 million). The 2019B bonds were issued at an interest rate of 5.000%.

- In February 2019, the City Bond Committee approved the terms and provisions of its Water and Wastewater Revenue Refunding Bonds Series 2020 (Forward Delivery) to allow for the issuance in October 2020 of $127.7 million of the Series 2020 Bonds to refund all the outstanding Series 2011A Bonds in the amount of $135.0 million and to pay the costs of issuing the Series 2020 Bonds. The total proceeds of the Series 2020 Bonds will be $138.6 million (which includes a premium of $10.9 million). The interest rates of the bonds to be refunded will range from 4.500% to 5.000%. The interest rates of the newly issued bonds will be 5.000%. The transaction will result in a total savings to the City of $17.2 million over the next 21 years and will result in an economic gain of $10.1 million.

- In April 2017, the City issued $125.0 million of Airport Revenue Bonds Series 2017 (Direct Purchase Federally Taxable Loan) to fund capital improvements for the Philadelphia Airport. As of June 30, 2020, the City has outstanding bonded debt that qualify as direct placements and direct borrowing related to business-type activities of $120.5 million for the Series 2017 bonds. The City's debt from direct placements and direct borrowing related to business-type activities contain certain provisions where (i) Purchaser has the right to cause the Bonds to be subject to optional tender in full on April 26, 2022 and each five-year anniversary thereof (ii) If there is a payment default and such payment default continues for a period of thirty (30) days, upon the request of at least 25% of the outstanding 2017 Bondholders a trustee can be appointed and after thirty (30) days prior written notice to the City, the unpaid principal of all 2017 Bonds may be declared due and payable with interest at the rates stated in the bonds until final payment, and, if all defaults shall be made good then to annul such declaration and its consequences

- Aviation's 2005C, 2010A, 2010D, 2011A, 2011B, 2015A, 2017A, 2017B, as well as Water's 1997B, 2010C, 2011A, 2011B, 2012, 2013A, 2014A, 2015A, 2015B, 2016, 2017A, 2017B, 2018A, 2019A, 2019B bonds have certain provisions where if there is a payment default and such payment default continues for a period of thirty (30) days, upon the request of at least 25% of the outstanding Bondholders of such series which are in default, a trustee can be appointed and after thirty (30) days prior written notice to the City, the unpaid principal of all Bonds of such series in default may be declared due and payable with interest at the rates stated in the bonds until final payment, and, if all defaults shall be made good then to annul such declaration and its consequences.

- In July 2010, the City of Philadelphia - Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B); bringing the total financing from PENNVEST to $214.9 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment is due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

Date	Series	Maximum Loan Amount	Amount Received Through 6/30/20	Current Balance Outstanding 6/30/20	Purpose
Oct 2009	2009B	42,886,030	31,216,779	17,023,901	Water Plant Improvements
Oct 2009	2009C	57,268,193	49,157,776	29,405,657	Water Main Replacements
Mar 2010	2009D	84,759,263	75,744,096	45,780,493	Sewer Projects
Jul 2010	2010B	30,000,000	30,000,000	21,024,289	Green Infrastructure Project
	Totals	214,913,486	186,118,651	113,234,340	

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

(Amounts in Millions of USD)

Fiscal Year	Water Fund		Aviation Fund		Notes from Direct Placement	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	87.9	99.6	68.7	65.2	2.4	3.3
2022	81.7	95.6	76.1	61.8	118.1	2.9
2023	79.2	92.1	79.9	58.1	-	-
2024	62.7	88.5	83.7	54.4	-	-
2025	65.5	85.9	87.6	50.5	-	-
2026-2030	327.8	387.6	320.9	195.4	-	-
2031-2035	287.5	320.0	210.9	132.8	-	-
2036-2040	317.7	252.7	199.1	81.4	-	-
2041-2045	376.4	164.4	122.6	41.7	-	-
2046-2050	247.5	83.1	99.9	7.7	-	-
2051-2055	215.6	23.6	-	-	-	-
Totals	2,149.5	1,693.2	1,349.3	749.1	120.5	6.2

(3) Defeased Debt

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

	(Amounts In Millions of USD)
Governmental Funds:	
General Obligation Bonds	235.4
Enterprise Funds:	
Water Fund Revenue Bonds	162.1
	397.5

(4) Short -Term Borrowings

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City did not issue Tax Revenue Anticipation Notes for fiscal year 2020. In accordance with statute, there are no temporary loans outstanding at year-end.

(5) Arbitrage Liability

The City has several series of General Obligation and Revenue Bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. At June 30, 2020, the City had an arbitrage liability of $1,400.00, all attributable to PGW.

(6) Derivative Instruments

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair value of such derivatives are as follows:

(Amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2020		
Governmental Activities	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	8,804	Debt	(30,552)	100,000
	Deferred Outflow	(2,175)	Debt	(10,615)	50,745
	Deferred Outflow	(12,103)	Debt	-	-
	Deferred Outflow	(976)	Debt	(3,537)	16,910
	Deferred Outflow	(4,053)	Debt	-	-
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	660	Debt	(5,240)	74,100

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2020, along with the credit rating of the associated counterparty.

City Entity:	City GO	Airport
Related Bond Series	2009B1 (1)	2005C Refunding
Initial Notional Amount	$313,505,000	$189,500,000
Current Notional Amount	$100,000,000	$74,100,000
Termination Date	8/1/2031	6/15/2025
Product	Fixed Payer Swap	Fixed Payer Swap (2)
Rate Paid By Dealer	SIFMA	SIFMA
Rate Paid By City Entity	3.83%	Multiple Fixed Rates
Dealer	Royal Bank of Canada	JP Morgan Chase Bank, N.A.
Dealer Rating	Aa2/AA-	Aa2/A+
Fair Value (3)	($30,551,542)	($5,240,126)

1. *On 7/28/2009, the City terminated a portion of the swap in the amount of $213,505,000 in conjunction with the refunding of its Series 2007B bond with the Series 2009A fixed rate bonds. The City made a termination payment of $15,450,000 to RBC.*
2. *The City received an upfront payment of $6,536,800 for the related swaption. JPM exercised its option to enter into the swap on 6/15/2005. The swap includes a knock-out option whereby JPM has the right to terminate the swap if the 180-day SIFMA average exceeds 7.00%.*
3. *Fair values are shown from the City's perspective and include accrued interest.*

a. City of Philadelphia 2009B General Obligation Bond Swap

Objective In December 2007, the City entered into a swap to synthetically refund all or a portion of several series of outstanding bonds. The swap structure was used as a means to increase the City's savings when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed-rate structure. On July 28, 2009, the City terminated approximately $213.5 million of the swap, fixed out the bonds related to that portion and kept the remaining portion of the swap, as well as, the related bonds as variable rate bonds backed with a letter of credit. The City paid a swap termination payment of $15.5 million to RBC.

Terms: The swap was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of $ 313.5 million). The swap confirmation was amended and restated effective August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2020, the swap had a notional amount of $100 million and the associated variable rate bonds had a $100 million principal amount. The bonds mature on August 1, 2031.

Fair Value: As of June 30, 2020, the swap had a negative fair value of $30.552 million. This means that the City would have to pay this amount to terminate the swap. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2020, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2020, the rates were:

Term	Rates	
Interest Rate Swap		
Fixed payment to RBC under swap	Fixed	3.82900%
Variable rate payment from RBC under swap	SIFMA	-0.13000%
Net interest rate swap payments		3.69900%
Variable rate bond coupon payments	Weekly reset	0.12000%
Synthetic interest rate on bonds		3.81900%

Swap payments and associated debt:

As of June 30, 2020, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2021	$0	$120,000	$3,699,000	$3,819,000
2022	0	120,000	3,699,000	3,819,000
2023	0	120,000	3,699,000	3,819,000
2024	0	120,000	3,699,000	3,819,000
2025	0	120,000	3,699,000	3,819,000
2026-2030	63,885,000	507,108	15,631,604	16,138,712
2031-2031	36,115,000	65,436	2,017,065	2,082,501
Total:	$100,000,000	$1,172,544	$36,143,669	$37,316,213

City Entity:	City Lease PAID	City Lease PAID
Related Bond Series	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	$217,275,000	$72,400,000
Current Notional Amount	$50,744,727	$16,910,273
Termination Date	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	SIFMA
Rate Paid by City Entity	3.9713%	3.9713%
Dealer	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Dealer Rating	Aa2/A+	A2/A- (Bank of America Corp.)
Fair Value (1)	($10,169,445)	($3,388,762)

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

b. Philadelphia Authority for Industrial Development (PAID) 2007B and 2014A Swaps

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

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

In May 2014, PAID fully refunded the 2007B-1 bonds with the 2014A bonds, a directly purchased note. The 2014As pay interest on a LIBOR-linked index. Concurrently, the two swaps were amended such that the floating rate index on the portions allocable to the 2007B-1 bonds were converted from SIFMA to the same LIBOR-based index as the 2014A bonds. One of the LIBOR-based swaps, with a notional amount of $87.96 million, was documented under a separate trade confirmation with JP Morgan Chase Bank. The other LIBOR-based swap, with a notional amount of $29.31 million, was documented under a separate trade confirmation with Merrill Lynch Capital Services, Inc. Under the LIBOR-based swaps, PAID pays a fixed rate of 3.62% and 3.632% (to JPMorgan and Merrill Lynch, respectively), and receives 70% of 1-month LIBOR. The payments are based on an amortizing notional schedule.

In July 2014, PAID refunded the 2007B-4 bonds, and terminated the allocable portions of the SIFMA-based swaps. PAID terminated $41.56 million of notional of the JP Morgan SIFMA-based swap and $13.84 million of notional of the Merrill Lynch SIFMA-based swap, representing the 2015-2018 maturities of each, and paid a total termination payment of $5.56 million. Costs to finance this termination payment were more than offset by refunding savings generated on the bonds, so the City will receive positive cashflow savings from the transaction in every fiscal year that the bonds are outstanding.

In September 2019, the 2014A swaps were fully terminated in connection with the refunding of the associated bonds. PAID made termination payments of $14.493 million to JPM and $4.774 million to MLCS. The 2007B swaps were partially terminated with JPM in the amount of $33,455,654 in conjunction with the refunding of a portion of its Series 2007B bonds with the 2019 bonds. PAID made a termination payment of $6,051,000 to JPM. PAID terminated a portion of the swap with MLCS in the amount of $11,149,346 in conjunction with the refunding of a portion of its Series 2007B bonds with the 2019 bonds. PAID made a termination payment of $1,998,000 to MLCS.

As of June 30, 2020, the swaps together had a notional amount of $67.655 million which matched the principal amount of the associated variable rate bond deals. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2020, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of $10.17 million, the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of $3.389 million, This means that **PAID** would have to pay these amounts to terminate the swaps. The fair values reflect the effect of non-performance risk, which includes credit risk. The fair values of the swaps were measured using the income approach and are categorized within Level 2 of the fair value hierarchy.

Risks: As of June 30, 2020, **PAID** was not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk on the SIFMA-based swaps should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2020, the rates for the JPMorgan SIFMA-based swap were:

Term	Rates	
Interest Rate Swap		
Fixed payment to JP Morgan	Fixed	3.97130%
Variable rate payment from JP Morgan	SIFMA	-0.13000%
Net interest rate swap payments		3.84130%
Variable rate bond coupon payments	Weighted Average Weekly resets	0.12000%
Synthetic interest rate on bonds		3.96130%

As of June 30, 2020, the rates for the Merrill Lynch SIFMA-based swap were:

Term	Rates	
Interest Rate Swap		
Fixed payment to MLCS	Fixed	3.97130%
Variable rate payment from MLCS	SIFMA	-0.13000%
Net interest rate swap payments		3.84130%
Variable rate bond coupon payments	Weighted Average Weekly Resets	0.12000%
Synthetic interest rate on bonds		3.96130%

Swap payments and associated debt:

As of June 30, 2020, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

For the JPM SIFMA Swaps:

Fiscal Year Ending June 30		Variable Rate Bonds Principal		Interest		Interest Rate Swaps Net		Total Interest
2021	$ $	3,708,364	$	60,894	$	1,949,257	$	2,010,151
2022	$	3,865,864	$	56,444	$	1,806,808	$	1,863,251
2023	$	4,031,636	$	51,805	$	1,658,308	$	1,710,113
2024	$	4,204,522	$	46,967	$	1,503,441	$	1,550,408
2025	$	4,384,136	$	41,921	$	1,341,933	$	1,383,854
2026-2030	$	24,913,182	$	126,004	$	4,033,488	$	4,159,492
2031-2031	$	5,637,023	$	6,764	$	216,535	$	223,299
Total:	$	50,744,727	$	390,798	$	12,509,770	$	12,900,568

For the Merrill Lynch SIFMA Swaps:

Fiscal Year Ending June 30		Variable Rate Bonds Principal		Interest		Interest Rate Swaps Net		Total Interest
2021	$ $	1,236,636	$	20,292	$	649,574	$	669,867
2022	$	1,289,136	$	18,808	$	602,071	$	620,880
2023	$	1,343,364	$	17,261	$	552,552	$	569,813
2024	$	1,400,478	$	15,649	$	500,949	$	516,599
2025	$	1,460,864	$	13,969	$	447,153	$	461,121
2026-2030	$	8,301,818	$	41,990	$	1,344,140	$	1,386,130
2031-2031	$	1,877,977	$	2,254	$	72,139	$	74,392
Total:	$	16,910,273	$	130,224	$	4,168,578	$	4,298,802

c. Philadelphia Airport Swap

Objective: In April 2002, the City entered 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 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, 2020, the swap had a notional amount of $74.1 million and the associated variable-rate bonds had a $74.1 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2020, the swap had a negative fair value of $5.240 million. This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2020, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2020, the rates were:

Terms	Rates	
Interest Rate Swap		
Fixed payment to JP Morgan	Fixed-declining	**3.23199%**
Variable rate payment from JP Morgan	SIFMA	-0.13000%
Net interest rate swap payments		3.10199%
Variable rate bond coupon payments	Weekly resets	0.16000%
Synthetic interest rate on bonds		3.26199%

Swap payments and associated debt:

As of June 30, 2020, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2021	$13,700,000	$118,560	$2,064,936	$2,183,496
2022	14,300,000	96,640	1,529,306	1,625,946
2023	14,900,000	73,760	997,026	1,070,786
2024	15,400,000	49,920	570,350	620,270
2025	15,800,000	25,280	240,750	266,030
Total:	$74,100,000	$364,160	$5,402,368	$5,766,528

(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 fiscal year 2020 Pension Funding Bonds liability of $687.0 million is reflected in the City's financial statements as another Long-Term Obligation.

(8) Neighborhood Transformation Initiative Service Agreement

In March 2005, **PRA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of $25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of $44.0 million, with interest rates ranging from 4.75% through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for $81.3 million and mature through 2031. In Fiscal 2012, PRA issued $91.3 million City of Philadelphia Neighborhood Transformation Initiative (NTI) Revenue Refunding Series 2012 Bonds. These bonds were issued to refund the City of Philadelphia Revenue Bonds, Series 2002A, originally issued in the aggregate principal amount of $124 million. The bonds are subject to optional redemption prior to maturity. Interest on the series bonds range from 2% to 5% and is payable on April 15 and October 15 each year until maturity in 2026. In April 2015, PRA issued the Series 2015A, $73.2 million and the Series

2015B, $38.3 million - Revenue Refunding Bonds. The 2015A and 2015B Bonds were issued for the purpose of Refunding the 2005B and 2005C bonds and to pay for the cost of issuance of the 2015A & 2015B Bonds. The fiscal year 2020 NTI Service Agreement liability of $185.2 million is reflected in the City's financial statements as another Long-Term Obligation.

(9) Sports Stadium Financing Agreement

In FY 2002, **PAID** issued $346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of **PAID**. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. In October 2007 PAID issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2020, the Sports Stadium Financing Agreement liability of $67.7 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(10) Philadelphia Free Library

In August of 2005, **PAID** issued $10,780,000 of Lease Revenue Bonds for the Philadelphia Free Library Project. These bonds were issued to provide financing for a portion of the construction costs related to the expansion and renovation of the Central library of the Free Library of Philadelphia. The bonds are non-recourse obligations of **PAID**, payable solely from rental payments made by the City to **PAID**, which will be sufficient to pay the principal and interest due. The cumulative principal repayment on the Lease Revenue Bonds as of December 31, 2016 and 2015 was $4,125,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Philadelphia Central Library Project, Series 2016B. In fiscal 2020 the liability of $3.7 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(11) Cultural and Commercial Corridors Program Financing Agreement

In December 2006, **PAID** issued $135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds were used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. The Series A Bonds began principal repayment in 2010. The Series B Bonds were paid off during 2009. As of December 31 2016 and 2015, the cumulative principal balance repaid for the Series A Bonds was $22,230,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Cultural and Commercial Corridors Program, Series 2016A. In fiscal 2020 the liability of $76.1 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(12) City Service Agreement

In December 2012, **PAID** issued City Service Agreement Refunding Revenue Bonds, Series 2012 in the amount of $299.8 million. The bonds were issued as term Bonds with interest rates of 3.664% ($42.2 million) and 3.964% ($257.6 million). The term bonds have a maturity date of April 15, 2026. The bonds were issued to refund outstanding Pension Funding Bonds Series 1999B, fund interest on the Bonds through April 15, 2020, make a deposit to the City Retirement System and pay the cost of issuance of the Bonds. The bond is payable as set forth in the Service Agreement solely from revenues of the City. The debt service payments begin in 2021. The reacquisition price exceeded the net carrying value of the old debt by $23.1 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The portion of the Series 1999B Bonds that were refunded are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. In fiscal year 2020, the liability of $299.8 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(13) City Service Agreement – Affordable Housing Series 2017

In August 2017, **PAID** issued $52.9 million of City Service Agreement Revenue Bonds Series 2017. The total proceeds of the 2017 Bonds were $60.8 million (which includes a premium of $7.9 million). The 2017 Bonds were issued to finance certain costs of the City's affordable housing preservation programs and to pay the costs of issuing the 2017 Bonds. The interest rates for the 2017 Bonds range from 3.0% to 5.0%. In fiscal year 2020, the $49.3 million liability for the Affordable Housing Preservation Series 2017 Bonds is reflected in the City's financial statement as another Long-Term Obligation.

(14) City Service Agreement – Philadelphia Museum of Art - 2018A & One Benjamin Franklin Parkway 2018B

In April 2018, **PAID** issued $37.9 million of City Service Agreement Revenue Bonds Series 2018A and Series 2018B. The total proceeds of the 2018A Bonds were $11.6 million (which includes a premium of $1.3 million). The Philadelphia Museum of Art - Series 2018A Bonds were issued to finance certain costs of the Energy Project of the Philadelphia Museum of Art. The interest rates for the 2018A Bonds is 5.0%. The total proceeds of the One Benjamin Franklin Parkway – Series 2018B Bonds were $30.5 million (which includes a premium of $2.9 million). The 2018B Bonds were issued to refund all $29.6 million of the Series 2007C Bonds and to pay the costs of issuing the 2018B Bonds. The interest rates for the 2018B Bonds is 5.0%. The interest rates of the refunded bonds range from 4.1% to 5.3%. The transaction resulted in a total savings to the City of $2.3 million over the next 9 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was $2.1 million. In fiscal year 2020, the liability of $9.6 million for the Philadelphia Museum of Art - Series 2018A Bonds and the $22.2 million liability for the One Benjamin Franklin Parkway – Series 2018B Bonds, is reflected in the City's financial statement as another Long-Term Obligation.

(15) City Service Agreement – PRA - Home Repair Program – Series 2018

In October 2018, PRA issued $40.0 million of City Service Agreement Revenue Bonds Series 2018. The total proceeds were $40.0 million (and the Bonds were issued with no premium). The proceeds of the sale were used to finance the Authority's Home Repair Program and to pay the costs of issuing the 2018 Bonds. The interest rates of the newly issued Bonds range from 3.171% to 4.552%.

(16) City Service Agreement – City's Parks and Recreation and the Free Library System of Philadelphia

In November 2018, **PAID** issued $79.5 million in City Service Agreement Revenue Bonds, Series 2018. The total proceeds were $87.7 million (which includes a premium of $8.2 million). The 2018 bonds were issued at an interest rate of 5%. The 2018 bonds were issued for the purpose of providing funds to (A) finance certain costs of improvements to, and construction, demolition, renovation, and equipping of, certain City parks, libraries, playgrounds, recreation centers and other related facilities (Rebuild Project), and (B) pay the costs of issuing the 2018 bonds. In fiscal year 2020, the liability of $76.6 million for the City's Parks and Recreation and the Free Library System of Philadelphia – City Service Agreement Revenue Bonds, Series 2018, is reflected in the City's financial statement as another Long-Term Obligation.

(17) PAID series 2007B-2, 2016A, 2016B, 2017, 2018A, 2018B, 2018, 2019, and PRA series 2012, 2015A, 2015B, 2018 bonds have provisions where, upon occurrence of Event of Default, Bondholders may declare the outstanding amount immediately due and payable; however, Bondholders do not have the right to accelerate lease payments by the City under the respective Prime Leases/Service Agreements.

(18) PAID, on September 2019, the City issued PAID Series 2019 Lease Revenue Refunding Bonds of $147.6 million to (i) refund all of the outstanding 2007B-3 Bonds and the 2014A Bonds, (ii) pay certain cost of terminating the swap agreements related to the Refunded Bonds, and (iii) pay the cost of issuing the 2019 Bonds. The total proceeds were $176.9 million (which includes a premium of $29.3 million). The interest rates of the Bonds that were refunded ranged from 3.623% to 3.971%. The interest rates of the newly issued Bonds are 5.000%. The transaction resulted in a total savings to the City of ($2.2) million over the next 12 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was ($2.8) million.

(19) Net Pension Liability

Net Pension Liabilities at June 30, 2014 was $404.7 million and $49.7 million for the Governmental and Business Type Activities, respectively. As a result of a change in accounting principle (implementation of GASB 68) the beginning FY 2015 Net Position was adjusted by $4.7 billion and $579.7 million for Governmental and Business Type Activities respectively. During FY 2020, the Governmental Activities' Net Pension Liabilities (NPL) increased by $125.0 million, resulting in a Net Pension Liability of $5.4 Billion. During FY 2020, the Business Type Activities' NPL increased by $15.5 million, resulting in a Net Pension Liability of $657.1 million.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The **SDP** has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year-end total $3,277.9 million in principal, with interest rates from 1.25% to 6.765% and have due dates from 2019 to 2045. The following schedule reflects the changes in long-term liabilities for the **SDP**:

Long-Term Obligations (1)
(Dollars in Millions)

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	$ 2,957.3	$ 793.2	$ (472.6)	$ 3,277.9	$ 149.3
Bond Premium	226.5	91.5	(46.6)	271.4	23.5
Bond Discounts	(1.4)	(0.3)	0.3	(1.4)	(0.2)
Total Bonded Debt	3,182.4	884.4	(518.9)	3,547.9	172.6
Termination Compensation Payable	183.3	25.3	(14.0)	194.6	14.0
Due to Other Governments					
-Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities (2)	106.9	32.3	(29.4)	109.8	31.4
Incurred But Not Received (IBNR) Payable (3)	17.2	-	(0.7)	16.5	16.5
OPEB Life Insurance Liability	15.9	1.4	(0.4)	16.9	-
PSERS OPEB Liability	158.2	10.3	(8.6)	159.9	-
PSERS Pension Liability	3,643.7	211.3	(336.8)	3,518.2	-
Governmental Activity-Long-Term Liabilities	$ 7,352.9	$ 1,165.0	$ (908.8)	$ 7,609.1	$ 279.8
Business-Type Activities:					
Termination Compensation Payable	$ 2.0	$ 0.3	$ (0.1)	$ 2.2	$ 0.2
PSERS OPEB Liability	2.5	0.1	(0.1)	2.5	-
PSERS Pension Liability	55.2	3.2	(5.1)	53.3	-
Business-Type Activity-Long-Term Liabilities	$ 59.7	$ 3.6	$ (5.3)	$ 58.0	$ 0.2

1. Termination (Compensated absences), unemployment, workers' compensation, claims and judgments liabilities are accrued to the governmental funds to which the individual is charged. These liabilities are then liquidated by the General Fund. In addition, OPEB and Arbitrage liabilities are fully liquidated by the General Fund.
2. Other Liabilities Workers' Compensation, Unemployment Compensation Claims, Arbitrage and Claims & Judgments.
3. IBNR is included with the Self Insurance Health Care Internal Service Fund.

The **SDP** Debt service to maturity on general obligation bonds at June 30, 2020 is summarized as follows: (Excludes debt issued through the State Public School Building Authority).

Governmental Activities
(Dollars in Thousands)

Year Ending June 30	Interest Rates	Principal	Interest (1)	Total
2021	1.250 - 5.550	$ 124,555	$ 118,680	$ 243,235
2022	3.000 - 6.059	144,645	107,978	252,623
2023	3.000 - 6.615	151,165	101,509	252,674
2024	3.000 - 6.615	109,985	95,749	205,734
2025	3.000 - 6.615	106,550	90,344	196,894
2026-2030	3.000 - 6.615	530,340	369,342	899,682
2031-2035	3.000 - 6.765	514,515	217,268	731,783
2036-2040	3.000 - 6.765	310,955	122,322	433,277
2041-2045	3.000 - 5.060	344,495	41,042	385,537
Total		$ 2,337,205	$ 1,264,234	$ 3,601,439

(2) Business Type Debt Payable

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

(Amounts In Thousands of USD)

Entity	Interest Rates	Principal	Due Dates
PGW	2.00% to 5.25%	911,610	Fiscal 2020 to 2047
PPA	2.58% to 5.25%	109,339	Fiscal 2019 to 2029
CCP	2.00% to 5.00%	70,057	Fiscal 2021 to 2039
PHA	3.00% to 5.50%	48,075	Fiscal 2020 to 2047
	Total Revenue Debt Payable	1,139,082	

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

(Amounts in Millions of USD)

	Philadelphia Gas Works †		Philadelphia Parking Authority		Community College of Philadelphia		Philadelphia Housing Authority ‡	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal *	Interest
2021	53.77	37.14	16.41	4.60	7.56	3.39	10.21	2.24
2022	54.82	34.50	15.29	3.79	7.60	3.02	10.65	1.81
2023	56.69	31.71	15.94	3.06	7.98	2.64	4.04	1.34
2024	58.20	29.32	16.64	2.28	6.24	2.24	1.24	1.20
2025	54.02	27.42	10.39	1.65	6.55	1.93	0.85	1.17
2026-2030	233.19	113.67	34.67	3.88	21.31	5.15	3.68	5.33
2031-2035	175.10	73.85			7.11	2.01	4.49	4.52
2036-2040	125.97	41.99			5.72	0.43	5.41	3.61
2041-2045	67.78	18.52					6.87	2.15
2046-2047	32.10	2.43					5.03	0.39
2048 - 2072								
Totals	911.61	410.53	109.34	19.26	70.06	20.80	52.48	23.75

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2020

‡ - PHA amounts are presented as of March 31, 2020

* Includes only PHA debt service amounts, it does not include any amouts related to PHA discretely presented component units.

* PHA Principal amounts for years 2021 through 2025 do not include the Capital Lease Obligation of $4.4 million.

(3) Defeased Debt

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

(Amounts In Millions)

Philadelphia Gas Works †	$	67.1
School District of Philadelphia		172.8
Total	$	239.9

† Gas Works amounts are presented as of August 31, 2020

PGW assets pledged, primarily noncallable U.S. Government securities, had a market value of $69.2 million at August 31, 2019, bearing interest on face value from 1.25% to 5.88%. In FY 2019, the Fiscal Agent with respect to the Gas Works Revenue Bonds (Escrow Agent with respect to the Escrow Deposit Agreement), paid the maturing principal of the Defeased Bonds in the amount of $5.4 million in a manner consistent with the Notices of Defeasance for the 12th Series B Gas Works Revenue Bonds.

The investments held by the trustee and the defeased bonds are not recognized on **PGW**'s balance sheets in accordance with the terms of the Indentures of Defeasance. The investments pledged for the redemption of the defeased debt have maturities and interest payments scheduled to coincide with the trustee cash requirements for debt service.

SDP, as in prior years, the School District defeased certain general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As of June 30, 2020, $172.8 million of bonds outstanding are defeased and the liability has been removed from long-term liabilities. This consists of $172.1 million for advance refunded debt and $0.7 million related to Sale of District property.

(4) Arbitrage

SDP, Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2019, the arbitrage rebate calculation indicates a liability totaling $54,833.

This arbitrage liability of $54,833 relates to GOB Series 2010E, 2010F and 2010G. The actual amount due as of the next required "Installment Rebate Payment Date" is subject to change due to bond and investment activity, if any, occurring after June 30, 2019. Pursuant to the Regulations, the next required "Installment Rebate Payment" must be paid no later than 60 days after June 30, 2020. The School District will continue to perform an annual rebate calculation until all funds have been expended.

The School District has reserved as of June 30, 2020, $54,833 under the fund balance of the Capital Projects Fund. In addition, a contingent liability for this amount has been accounted for in the governmental activities column of the government-wide statement of net position.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

Objective – In January 2006, the City entered into a fixed rate payor, floating rate receiver interest rate swap to create a synthetic fixed rate for the Sixth Series Bonds. The variable rate/swap structure was used as a means to increase the City's savings, when compared with fixed-rate refunding bonds at the time of issuance. The swaps are hedging interest rate risk.

Terms – The swap was originally executed with the counterparty on January 26, 2006 and had an original termination date of August 1, 2031, which was amended to August 1, 2028 in 2011. Under the swap, the City pays a fixed rate of 3.6745% and received a variable rate equal to 70.0% of one-month LIBOR until maturity.

As of August 31, 2020, the swaps had a notional amount of $122.8 million and the associated variable rate debt had a $122.8 million principal amount, broken down by series as follows:

- The Series B swap had a notional amount of $27.4 million and the associated variable rate bonds had a $27.4 million principal amount.
- The Series C swap had a notional amount of $27.2 million and the associated variable rate bonds had a $27.2 million principal amount.
- The Series D swap had a notional amount of $40.8 million and the associated variable rate bonds had a $40.8 million principal amount.
- The Series E swap had a notional amount of $27.4 million and the associated variable rate bonds had a $27.4 million principal amount.

The final maturity date for all swaps is on August 1, 2028.

Fair value – As of August 31, 2020, the swaps had a combined negative fair value of approximately $25.3 million. The fair values of the interest rate swaps were estimated using the zero-coupon method and are classified as Level 2 within the fair value hierarchy. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Risks – As of August 31, 2020, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard ISDA master agreement based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A- (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on the City's bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at A2/AA (Moody's/S&P).

The City is exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month LIBOR received on the swap.

There are no collateral posting requirements associated with the swap agreements.

The impact of the interest rate swaps on the financial statements for the year ended August 31, 2020 and 2019 is as follows (thousands of U.S. dollars):

	Interest Rate Swap Liability	Deferred ouflows of resources
August 31, 2019 Balance	23,114	10,332
Change in fair value through August 31, 2020	2,136	2,136
Amortization of terminated hedge	-	1,420
August 31, 2020 Balance	25,250	13,888

	Interest Rate Swap Liability	Deferred ouflows of resources
August 31, 2018 Balance	14,796	594
Change in fair value through August 31, 2019	8,318	8,318
Amortization of terminated hedge	-	1,420
August 31, 2019 Balance	23,114	10,332

Because the original hedging relationship was terminated when the Sixth Series Bonds were refunded by the Eighth Series Bonds in 2009, there is a difference between the interest rate swap liability and the related deferred outflows of resources. The difference is being amortized on a straight-line basis into expense over the life of the hedge. The interest rate swap liability is included in other non-current liabilities on the balance sheet. There are no collateral posting requirements associated with the swap agreements.

b. School District of Philadelphia Swap Agreements

The School District in Fiscal Year 2010 adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”. GASBS No. 53 provided guidance for evaluating the effectiveness of derivative instruments at the end of each reporting period.

The District in Fiscal Year 2017, adopted the provisions GASBS No. 72 “Fair Value Measurement and Application.” GASBS No. 72 addresses the accounting and financial reporting issues related to fair value measurements. GASBS No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk.

The swaps where the School District pays and receives floating rates--basis swaps-- are accounted for as investment instruments.

The School District’s interest rate swaps were terminated on January 29, 2020; therefore, the School District has no outstanding derivative instruments as of June 30, 2020.

Fair Value of Investments:
In February 2015, the GASB issued Statement No. 72 “Fair Value Measurement and Application”, addressing the accounting and financial reporting issues related to fair value measurements. GASBS No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2015. The School District adopted GASB Statement No. 72 beginning Fiscal Year ended 2016.

The District’s investments are valued at fair value using the following hierarchy:

- Level 1: Quoted prices for identical investments in active markets
- Level 2: Observable inputs other that quoted market prices; and
- Level 3: Unobservable inputs

The lowest available level of valuation available is used for all investments.

Fixed income securities are valued based on the values for similar assets in an active market. Equity securities are valued based on published values for identical assets in an active market.

The income approach is used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows, and time value of money. Where applicable under the income approach, the option pricing model technique, such as the Black-Derman-Toy model, or other appropriate option pricing model is used. This valuation technique is applied consistently across all the swaps.

Given the observability of inputs that are significant to the entire measurement, the fair values of the School District investments are categorized as follows:

	Level 1	Level 2	Level 3
First American US Treasury Class Z Portfolio (FOZXX)	$ 193,238,560	$ -	$ -
US Treasury Bills	1,035,469	-	-
Federal Home Loan Bank (FHLB)	11,068,805		
US Treasury Bond/Note	-	25,306,015	-
Commercial paper	-	139,485,154	-
Total	$ 205,342,834	$ 165,791,169	$ -

Level 1 - fair value investment classifications are for “securities portfolios” and US Treasury Bills and Federal Home Loan Bank with observable, quoted prices for identical assets or liabilities in active markets.

Level 2 - fair value investment classifications for US Treasury Notes and Commercial Paper are based on the values for similar assets in an active market.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

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

(Amounts In Thousands of USD)

	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	3,733	55,615	2,659
Additional	-	158,485	140
Sublease	13,459	-	3,122
Total Rental Income	17,192	214,100	5,921

Future minimum rentals receivable under non-cancelable operating leases are as follows:

(Amounts In Thousands of USD)

	Primary Government		Component Units
Fiscal Year Ending June 30	**Governmental Funds**	**Proprietary Funds**	
2021	15,172	44,358	3,580
2022	14,690	30,894	2,492
2023	12,752	18,249	2,098
2024	12,507	6,094	1,827
2025	12,797	6,094	465
2026-2030	35,298	27,268	1,179
2031-2035	18,027	22,875	760
2036-2040	17,993	17,724	571
2041-2045	17,993	17,705	342
Total	157,229	191,262	13,314

B. CITY AS LESSEE

1) OPERATING LEASES

The City's operating leases consist principally of leases for office space, data processing equipment, duplicating equipment and various other items of property and equipment to fulfill temporary needs. Rental expense for all operating leases for the year was as follows:

(Amounts In Thousands of USD)

	Primary Government		Component Units
	Governmental Funds	**Proprietary Funds**	
Minimum Rentals	178,052	50,416	16,680
Additional Rentals	-	-	80
Sublease	-	-	3,122
Total Rental Expense	178,052	50,416	19,882

At year end, the future minimum rental commitments for operating leases having an initial or remaining non-cancelable lease term in excess of one year are as follows:

(Amounts In Thousands of USD)

	Primary Government		Component Units
Fiscal Year Ending June 30	**Governmental Funds**	**Proprietary Funds**	
2021	36,548	393	13,623
2022	34,569	393	15,655
2023	30,121	393	10,501
2024	28,511	393	9,235
2025	27,420	393	9,378
2026-2030	81,518	1,964	29,958
2031-2035	17,093	1,964	18,361
2036-2040	-	1,964	11,962
2041-2045	-	1,964	-
Total	255,780	9,822	118,672

2) CAPITAL LEASES

Primary Government:
On December 28, 2017, the City entered into a lease agreement with the Philadelphia Authority for Industrial Development, a component unit of the City, for use of certain properties located at 400 North Broad Street. The properties will primarily be utilized by the City's police department. Under the terms of the lease agreement, the City will make quarterly rent payments in the amount of $3.8 million through December 1, 2026 (Initial Term). If the City does not exercise its purchase option, the lease will automatically enter into the "Renewal Term", during which the quarterly rent payments will increase to $7.1 million through the duration of the lease, ending September 1, 2036. Rent payments under the lease agreement bear an effective interest rate of 4.029% through December 1, 2026 and an effective interest rate of 6.924% for the remaining term of the lease agreement.

Under the lease the City has a purchase option beginning on the fifth anniversary (December 31, 2025) of the delivery date (December 31, 2020) and continuing through the date that is one hundred eight days prior to the scheduled expiration date (December 28, 2026), to purchase the leased property at purchase price equal to the "Purchase FMV", as defined in the lease agreement.

As a result of this lease agreement, the City recorded an initial capital asset (lease hold asset) in the amount of $252.5 million. At June 30, 2020, the net book value of assets acquired under this lease agreement was $221.0 million ($252.5 million gross value, net of $31.5 million accumulated depreciation). For the year ended June 30, 2020, the City recorded $12.6 million in depreciation expense related to assets acquired under the lease.

Future minimum lease payments under this agreement are as follows:

		(In Thousands)
June 30,	Prncipal	Interest
2021	5.5	9.7
2022	5.7	9.4
2023	6	9.2
2024	6.2	9.0
2025	6.5	8.7
2026 - 2030	66.7	55.3
2031 - 2035	108.7	33.0
2036 - 2040	33.7	1.8
Total	$ 239.0	$ 136.1

Component Unit:
Capital leases consist of leased real estate and equipment from various component units. Future minimum rental commitments are as follows:

Fiscal Year Ending June 30	Principal
2021	468,149
2022	378,632
2023	71,482
Totals	918,263

9. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2014, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements**.**

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Service Code Section 457. The Plan, available to all **PGW** employees with at least 30 days of service, permits them to defer a portion of their salary until future years. **PGW** provides an annual 10.0% matching contribution of applicable wages that immediately vests to the employee. **PGW** contributed $0.4 million in both FY2020 and FY2019. PGW's contributions are accounted for as part of administrative and general expenses.

10. FUND BALANCE POLICIES

Fund Balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. GASB 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- Non-Spendable Fund Balance ─ Includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The Permanent Funds ($3.8 million) were non-spendable.

- Restricted Fund Balance ─ Includes amounts for which constraints have been placed on the use of resources which are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The General Fund had a restricted fund balance of $131.0 million at June 30, 2020. The fund balances in the following Special Revenue Funds were restricted: Health-Choices Behavioral Health ($291.1 million); Grants Revenue ($33.4 million); County Liquid Fuels ($12.1 million); Special Gasoline Tax ($51.1 million); Hotel Room Rental Tax ($3.1 million); Car Rental Tax ($10.5 million); Housing Trust ($66.3 million); Acute Care Hospital Assessment ($22.7 million); Departmental ($10.2 million); Municipal Authority Administrative ($0.0 million); PICA Administrative ($24.1 million). The Debt Service Fund had a Restricted Fund Balance of ($16.0 million) and the entire fund balance of the Capital Improvement ($278.5 million) funds was restricted. The Permanent Fund had a restricted fund balance of ($3.2 million) at June 30, 2020.

- Committed Fund Balance – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by an ordinance passed by Philadelphia's City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the ordinance that was employed when the funds were initially committed. The General Fund had a committed fund balance of $34.3 million at June 30, 2020. The fund balances in the following Special Revenue Funds were committed: Riverview Residents $.03 million, Philadelphia Prisons $3.3 million, and Departmental $1.5 million.

- Assigned Fund Balance ─ Includes amounts that are constrained by a government's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Budget Director, other authorized department heads or their designees, to which the Finance Director has granted the authority to assign amounts to be used for specific purposes. There is no prescriptive action to be taken by the authorized officials in removing or modifying the constraints imposed on the use of the assigned amounts. The General Fund reported an assigned fund balance of $380.2 million at June 30, 2020, which represents $241.8 million of encumbrance balances and $138.4 million of the unobligated Philadelphia Beverage Tax revenue at the end of the reporting period.

- Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed or restricted or non-spendable. The General Fund had a ($0.0 million) unassigned fund balance at June 30, 2020. Within the Special Revenue Funds, the Grants Revenue Fund had a negative unassigned fund balance of ($314.2 million), the Community Development Fund had a negative unassigned fund balance of ($16.2 million) and the Municipal Authority Administrative had a negative unassigned fund balance of ($0.2 million); at June 30, 2020.

City Council and the Mayor established a Budget Stabilization Reserve through amendment to the City's Charter. Appropriations to the Budget Stabilization Reserve shall, each year, be made in the following amounts, provided that total appropriations to the Budget Stabilization Reserve shall not exceed five percent (5%) of General Fund Appropriations: (1) Such amounts as remain unencumbered in the Budget Stabilization Reserve from the prior fiscal year, including any investment earnings certified by the Director of Finance; plus (2) When projected General Fund Balance for the end of the fiscal year to which the operating budget relates, without taking into account any deposits to the Budget Stabilization Reserve required by subsection (2), equals or exceeds three percent of General Fund appropriations for the upcoming fiscal year, an amount equal to three-quarters of one percent (.75%) of Unrestricted Local General Fund Revenues for the upcoming fiscal year; plus (3) Such additional amounts as the Council shall authorize by ordinance, no later than at the time of passage of the annual operating budget ordinance and upon recommendation of the Mayor. The Director of Finance shall allow withdrawals from the Budget Stabilization Reserve only upon (1) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve, pursuant to Section 2-300(6) of the City Charter, and only for the purposes set forth in such transfer ordinance; and (2) either: (a) A certification by the Director of Finance that General Fund Revenues actually received by the City during the prior fiscal year were at least one percent (1%) less than the General Fund Revenues set forth in the Mayor’s estimate of receipts pursuant to Section 2-300(3) of the City Charter; or (b) A certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents; and that it would be fiscally imprudent to seek emergency appropriations pursuant to Section 2-301(a) of the City Charter. Such certification must be approved either by (1) a resolution adopted by two-thirds of all of the members of the Council, or (2) an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City. At June 30, 2020 the stabilization balance of $34.3 million was reported as committed fund balance in the City's General Fund.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the non-spendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding non-spendable. To the extent that funds are available for expenditure in these other categories, except for the non-spendable fund balance, the order of use shall be; committed balances, assigned amounts, and lastly, unassigned amounts. The table below presents a more detailed breakdown of the City’s fund balances at June 30, 2020:

Exhibit XIII

Amounts in Thousands

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	-	-	-	-	-
Permanent Fund (Principal)	-	-	-	3,827	3,827
Subtotal Nonspendable	**-**	**-**	**-**	**3,827**	**3,827**
Restricted for:					
Neighborhood Revitalization	-	-	269	-	269
Economic Development	-	-	-	3,052	3,052
Public Safety Emergency Phone System	-	-	33,086	-	33,086
Streets & Highw ays	-	-	-	63,155	63,155
Housing and Neighborhood Dev	-	-	-	66,313	66,313
Health Services	-	-	-	22,747	22,747
Behavioral Health	-	291,072	-	-	291,072
Parks & Recreation	-	-	-	1,243	1,243
Libraries & Museums	-	-	-	2,477	2,477
Intergovernmental Financing	-	-	-	24,103	24,103
Stadium Financing	-	-	-	10,529	10,529
Cultural & Commercial Corridor Project	1,050	-	-	-	1,050
Pension Obligation Bonds	-	-	-	-	-
Debt Service Reserve	-	-	-	16,035	16,035
Capital Projects	-	-	-	278,530	278,530
Affordable Housing Project	11,008	-	-	-	11,008
Art Museum Project	1,793	-	-	-	1,793
Rebuild	77,683	-	-	-	77,683
Home Repair Program	39,497	-	-	-	39,497
Trust Purposes	-	-	-	9,710	9,710
Subtotal Restricted	**131,031**	**291,072**	**33,355**	**497,894**	**953,352**
Committed, Reported in:					
Budget Stabilization Reserve	34,276	-	-	-	34,276
Social Services	-	-	-	30	30
Prisons	-	-	-	3,339	3,339
Parks & Recreation	-	-	-	1,487	1,487
Subtotal Committed	**34,276**	**-**	**-**	**4,856**	**39,132**
Assigned to:					
General Management & Support	148,432	-	-	-	148,432
Social Services	26,458	-	-	-	26,458
Economic Development	11,889	-	-	-	11,889
Libraries & Museums	-	-	-	-	-
Prisons	-	-	-	-	-
Health Services	9,885	-	-	-	9,885
Other	45,203	-	-	-	45,203
Phila. Beverage Tax - Unobligated	138,355	-	-	-	138,355
Subtotal Assigned	**380,222**	**-**	**-**	**-**	**380,222**
Unassigned Fund Balances:	-	-	(314,164)	(16,376)	(330,540)
Subtotal Unassigned	**-**	**-**	**(314,164)**	**(16,376)**	**(330,540)**
Total Fund Balances	**545,529**	**291,072**	**(280,809)**	**490,201**	**1,045,993**

11. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds. These transactions are recorded as transfers and are reported as other financial sources (uses) in the Governmental Funds and as transfers in the Proprietary Funds. Some of the more significant transfers are the PICA administrative fund collection of a portion of the wage tax paid by City residents and the transfer of funds that are not needed for debt service and administrative costs to the general fund. Additionally, the general fund and the PICA administrative fund make transfers to the debt service funds for principal and interest payments.

Transfers between fund types during the year were:

(Amounts in Thousands of USD)

	Transfers To:				
	Govermental	Non Major Governmental			
Transfers From:	General	Special Revenue	Debt Service	Capital Improvement	Total
General Fund	$ -	$ 36,387	$ 167,360	$ 5,100	$ 208,847
Grants Revenue Fund	35,539	1,242	3,397	-	40,178
Non major Special Rev. Fds	495,943	-	32,921	4,500	533,364
Permanent Funds	-	-	-	-	-
Capital Improvements	-	2,643	-	-	2,643
Water Fund	4,994	29,688	-	-	34,682
Total	$ 536,476	$ 69,960	$ 203,678	$ 9,600	$ 819,714

12. TAX ABATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures,* the City is required to disclose certain information about tax abatements as defined in the Statement. For the purposes of GASB Statement No. 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual, or entity, in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to the economic development or otherwise benefits the City or the citizens of the City. The City has entered into such agreements. The quantitative threshold set by the City for disclosing its tax abatement programs is currently $500,000 or more. A description of each of the City's tax abatement programs where the City has promised to forgo taxes are as follows:

TAX CREDIT AGREEMENTS ENTERED INTO BY THE CITY OF PHILADELPHIA

Community Development Corporation (CDC) Tax Credit:
The Program rewards local businesses that contribute to economic development efforts as sponsors in distressed parts of the city. A sponsor will receive a tax credit of $100,000 per year against its Business Income and Receipts Tax liability for each year the sponsor contributes $100,000 in cash to a qualifying organization.

The Philadelphia Code under Chapter § 19-2604 (6) defines the implementation of the Community Development Corporation (CDC) Tax Credit. Section 501 of the Business Income and Receipts Tax regulations provides a full description of the CDC Tax Credit, including definitions of qualifying CDCs.

The CDC tax credit is available to a maximum of 42 businesses in any given tax year. Applications are reviewed and accepted on a first-come, first-served basis. The sponsor must contribute $100,000 in cash to a qualifying organization under the terms and conditions of the Business Income and Receipts Tax regulations and the contribution agreement. Contributions exceeding $100,000 will not be entitled to any additional tax credit and no tax credit will be available if contributions are less than $100,000. Sponsors must make the full contribution by December 31st of each year. A sponsor must take the credit on the tax year for which the contribution is made. Any tax credit not used in the period the contribution was made may not be carried forward or carried backward. Tax credits are non-transferable and may be used only by the sponsor.

A business as a sponsor that pledges and contributes $100,000 annually to a currently non-participating qualifying organization for 10 consecutive years; obtains a tax credit of $100,000 or actual BIRT tax liability per year, whichever is lower.

Under the CDC tax credit program there are currently no provisions for recapturing the past abated tax monies.

Gross dollar amount, on an accrual basis, by which the City's tax revenues were reduced as a result of the CDC Tax Credit program for fiscal year 2020 totaled, **$3,222,800.**

Job Creation Tax Credit:
The Job Creation Tax Credit rewards businesses that increase the number of jobs available in the City of Philadelphia.

The Philadelphia Code under Chapter § 19-2604 (7) defines the implementation of the Job Creation Tax Credit. A full description of the Job Creation Tax Credit can be found under Section 502 of the BIRT regulations.

A business can attain this credit if it creates 25 new jobs or increases its number of employees by at least 20% within five years of the designated start date. Program participants must commit to maintaining business operations in the City of Philadelphia for five years.

The credit amount for jobs created is 2% of annual wages paid for each new job or $5,000 per new job created, whichever is higher, subject to the maximum amount specified in the commitment agreement.

There are no provisions for recapture of this tax credit.

Program participants must commit to maintaining business operations in the City of Philadelphia for five years.

Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of the Job Creation Tax Credit program for fiscal year 2020 totaled, **$604,237.**

For the above Tax Credit Agreements entered into by the City of Philadelphia;

- There were no forgone revenues received, or receivable from other governments.
- There were no other commitments, other than to reduce taxes.
- No tax abatement agreement has been disclosed individually.
- No required information has been omitted.

REAL ESTATE TAX ABATEMENT AGREEMENTS ENTERED INTO BY THE CITY OF PHILADELPHIA

- Development Abatement for New or Improved Residential Properties (State Act 175)
- Rehab Construction for Residential Properties (Ordinance 961)
- Rehab & New Construction for Commercial & Industrial Properties (Ordinance 1130)
- New Construction for Residential Properties (Ordinance 1456-A)

Specific taxes being abated are Real Estate taxes.

The purpose of these programs is to encourage new construction or rehabilitation of properties, to help revitalize communities, retain residents, attract home- and business-owners to the City of Philadelphia, and reduce development costs for commercial and residential projects.

To be eligible to receive these tax abatements; owners / developers rehabbing or building residential properties, and/or owners/developers rehabbing or building property to be sold or leased for commercial, industrial or business purposes that make improvements, under City issued permits, that affect the assessed value of the property.

For the State Act 175, Real Estate Taxes are abated for the first 30 months or until property is leased or sold, whichever occurs first.

For the Ordinance 961, Ordinance 1130, & Ordinance 1456-A; Real Estate Taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner.

The amount of tax abatement is determined, such as dollar amount or percentage of taxes owed, based on the change in value due to the improvements.

There are no provisions to recapture abated taxes.

Gross dollar amounts, on an accrual basis, by which the City's tax revenues were reduced as a result of the Real Estate tax abatement programs for fiscal year 2020 were:

- **State ACT 175, $1,532,863.**
- **Ord. 961, $7,613,512.**
- **Ord. 1130, $42,772,031.**
- **Ord. 1456-A, $27,579,743.**

For the above Real Estate Tax Agreements entered into by the City of Philadelphia;

- There were no forgone revenues received, or receivable from other governments.
- There were no other commitments, other than to reduce taxes.
- No tax abatement agreement has been disclosed individually.
- No required information has been omitted.

TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Keystone Opportunity Zone (KOZ)

For properties in the areas designated by the Pennsylvania Department of Community and Economic Development. A KOZ property is a legislatively designated parcel where little to no development has taken place. Philadelphia offers tax abatements to businesses that invest in these areas.
The specific taxes being abated are Business Income and Receipt Tax, Net Profit Tax, & Real Estate Tax.

The Philadelphia Code, Chapter § 19-3200 defines the implementation of the Keystone Opportunity Zone, Economic Development District, and Strategic Development Area Tax Credit.

To qualify for Keystone Opportunity Zone Tax Credits, a business must:

- Own or lease property in one of the designated zones; and actively conduct a trade, business, or profession in that same designated zone.
- The qualified business must receive initial certification from the Pennsylvania Department of Community and Economic Development (DCED).

Waived or reduced taxes will apply when filing the tax forms/returns listed below:

- Tax credits are applied to recipients
- State Corporate Net Income Tax
- Capital Stock & Foreign Franchise Tax
- Personal Income Tax (Partners or Sole Proprietors)
- Sales & Use Tax
- Mutual Thrift Institutions Tax
- Insurance Premiums Tax and/or to their respective
- City Business Income & Receipt Tax
- Net Profit Tax
- Real Estate Tax filings

Abatement / credit amounts are based on the recipients' tax return filings and real estate tax valuations.

If any qualified business located within the zone has received an exemption, abatement or credit under this Chapter and subsequently relocates outside of the zone before agreement period ends; that business will refund to the City or School District, the exemptions, abatements or credits attributed in accordance to the Philadelphia Codes.

Commitments made by recipients include;

- Must be up to date on all City and State taxes and in compliance with City and State laws and regulations.
- Must file KOZ application annually.
- If presently a PA business and relocated to a KOZ, they must,
  - increase employment by 20% in the first year
  - or invest the equivalent of 10% of the previous year's gross revenues in capital improvements to the KOZ Property.
  - or enter into a lease agreement for property within a KOZ for a term at least equivalent to the duration of the KOZ property and with an aggregate payment under the lease at least equivalent to 5% of the gross revenues of that business in the immediately preceding calendar or fiscal year.

Gross dollar amounts, on accrual basis, by which the City's tax revenues were reduced as a result of the KOZ Real Estate tax abatement programs for fiscal year 2020 were:

Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	$	7,280,122
Net Profit Tax (KOZ Credit)		15,588,994
Business Income and Receipt Tax (KOZ Credit)		94,690,137
	$	117,559,253

For the above Tax Abatement Agreements entered into by Other Governments;

- There were no forgone revenues received, or receivable from other governments.
- There were no other commitments, other than to reduce taxes.
- No tax abatement agreement has been disclosed individually.
- No required information has been omitted.

The following summarizes the fiscal year 2020 tax abatement agreements, and their respective dollar totals, entered into by the City of Philadelphia and Other Governments.

Tax Credit Agreements entered into by the City of Philadelphia		
Community Development Corporation (CDC) Tax Credit	$	3,222,800
Job Creation Tax Credit		604,237
	$	3,827,037
Real Estate Tax Abatement Agreements entered into by the City of Philadelphia		
Development State ACT 175,		$ 1,532,863
Ord. 961,		7,613,512
Ord. 1130,		42,772,031
Ord. 1456-A,		27,579,743
	$	79,498,149
Tax Abatement Agreements entered into by Other Governments		
Keystone Opportunity Zone (KOZ) Real Esate Tax Credits		$ 7,280,122
Net Profit Tax (KOZ Credit)		15,588,994
Business Income and Receipt Tax (KOZ Credit)		94,690,137
		$ 117,559,253
As of June 30, 2020, the grand total of forgone revenues as a result of all the tax abatement programs was:	$	200,884,439

Tax Increment Financing (TIF)

The Commonwealth of Pennsylvania has approved the Tax Increment Financing Act that authorizes the taxing bodies of the City of Philadelphia (the City and School District) to create geographic areas (“TIF Districts”), where certain increases in tax revenue may be used to finance improvements in the TIF Districts. The TIF loan is usually funded by a private lender, i.e. bank, and is paid by the incremental taxes from Real Estate, Use and Occupancy, City Sales and Business Privilege.

Philadelphia Industrial Development Corporation (PIDC), acting on behalf of Philadelphia Authority for Industrial Development (PAID), can propose any area of the City to City Council and the School District for approval as a TIF District under the terms of the Act. Any new improvements can be funded by the TIF loan.

TIF’s are a financing tool that enable the City to establish a district in a blighted area, within which increases in taxes resulting from development of the district can be applied to project costs in the district or to project-related debt service.

The total gross dollar amount, on an accrual basis, by which the City’s fiscal year 2020 tax revenues were redirected as result of the TIF program was **$2,007,729**.

13. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet (Exhibit III) includes reconciliation to the Net Position of Governmental Activities. One element of that reconciliation states that "Long Term Liabilities, including bonds payable, are not reported in the funds". The details of this difference are as follows:

	(Amounts in Millions)	
Bonds Payable	$	2,091.9
Service Agreements	$	1,688.7
Indemnity Claims	$	118.7
Employee Related Obligations	$	815.5
Leases	$	238.9
Total Adjustment:	$	4,953.7

14. PRIOR PERIOD ADJUSTMENTS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

A. PRIMARY GOVERNMENT

A prior period adjustment was made to correct an error in the Governmental Activities, Water and Sewer Fund, and Aviation Fund for an understatement of the City's liability for accumulated unpaid sick leave at June 30, 2019. The correction of the error represents a change in applying generally accepted accounting principles for compensated absences with reported amounts now reflecting a liability for accumulated unpaid sick leave.

The following table shows the changes to the beginning net position as of July 1, 2019, for the Governmental Activities, Water and Sewer Fund, and Aviation Fund:

Amounts in Thousands

	Governmental Activities	Water and Sewer Fund	Aviation Fund
Net position as of June 30, 2019, as reported	$ (6,910,479)	$ 822,084	$ 993,543
Liability for Accumulated Unpaid Sick Leave at June 30, 2019	(304,135)	(6,628)	(8,771)
Net position as of July 1, 2019, as restated	$ (7,214,614)	$ 815,456	$ 984,772

B. COMPONENT UNIT

1. The **SDP** Governmental Funds:

Prior Period Adjustment:

Capital Assets: District-wide net position beginning balances were decreased by $286,279. These adjustments involved: (1) a decrease in WIP in the amount of $194,689 to adjust for non-capitalizable expenditures, (2) a decrease in Improvements in the amount of $7,605,420 to reduce the account balance to remove the value associated with Intangibles, (3) an increase in Intangibles in the amount of $7,605,420 to properly record the value previously recorded in the Improvement account, (4) a decrease in Personal Property in the amount of $95,100 to reflect the correction of recording errors, (5) a reduction to Improvement Accumulated Depreciation in the amount of $7,605,420 to remove depreciation incorrectly associated with the Improvement account, (6) an increase to the Intangibles Accumulated Depreciation in the amount of $7,605,420 to properly record the value previously recorded in Improvement Accumulated Depreciation, and (7) a decrease in Personal Property Accumulated Depreciation in the amount of $3,510 to reflect the correction of recording errors.

2. Philadelphia Housing Authority (PHA)

On October 4, 2019, PHA acquired the Investor Limited Partner, Centerline Guaranteed Corporate Partners II,L.P. – Series A, and the Special Limited Partner, RCC Guaranteed SLP II, L.P. – Series A limited partnership interest in Richard Allen Phase III L.P. of 99.99% for an agreed upon sales price of $1,107,491 assuming responsibility for the annual Tax Credit Investor's Transaction costs of $11,582 for total consideration of $1,119,073. With the acquisition of the 99.99% limited partnership interests, Richard Allen Phase III L.P., is now considered a blended component unit of PHA.

The consideration paid by RA Phase 3 LLC for the partnership interest is recognized as a capital investment. It was determined as of March 31, 2020, that a loss of $1,119,073 should be recognized.

Richard Allen Phase III, L.P. prior year net position per prior year audited financial statements was $1,493,718. All assets and liabilities were accounted for at carrying value. PHA recognized the following changes in beginning net positions as of restatements:

	Primary Government	Discrete Component Unit
Richard Allen III Phase III, L.P.	$ (1,493,718)	$ 1,493,718
Total restatements - net position	$ (1,493,718)	$ 1,493,718

Also, as a result of the acquisition, the following changes in beginning cash and cash equivalents were recognized as restatements for purposes of the cash flow statement.

Richard Allen III Phase III, L.P.	$ 2,084,709	$ (2,084,709)
Total restatements - cash and cash equivalents	$ 2,084,709	$ (2,084,709)

15. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports $1,780.6 million of restricted net position, of which $167.8 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)

	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	548,618	
Debt Service	397,824	
Pension Oblig Bond Refunding Reserve	-	
Behavioral Health	291,376	
Neighborhood Revitalization	269	
Philadelphia Art Museum Project	1,793	
Affordable Housing Project	11,007	
Cultural & Commercial Corridor Project	1,050	
Rebuild Project	77,684	66,313
Home Repair Program	39,497	
Grant Programs	151,131	
Rate Stabilization	151,878	
Libraries & Parks:	-	
Expendable	3,209	
Non-Expendable	3,827	
Educational Programs	-	101,441
Other	101,441	
Total	1,780,604	167,754

16. FUND DEFICITS

- The Grants Revenue Fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of$280.8 million. The deficit was primarily caused by the recording of reimbursed costs and corresponding revenues for services provided by the Department of Human Services to the grants fund, and the delay of billing and receiving reimbursements from the state.

- The Community Development Fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of $16.2 million.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. The two plans maintained by the City are the City Plan and the Philadelphia Gas Works (PGW) Plan. In addition to the City, the three other quasi-governmental agencies that participate in the City Plan are the Philadelphia Parking Authority (PPA), the Philadelphia Municipal Authority (PMA), and the Philadelphia Housing Development Corporation (PHDC).

Effective with Fiscal Year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement revises existing standards for measuring and reporting pension liabilities for pension plans. GASB Statement No. 68 defines a single employer as the primary government and its component units. All three quasi-governmental agencies that participate in the City Plan were determined to be component units of the City. Therefore, the City Plan meets the definition of a single employer plan.

The note disclosures and Required Supplementary Information required by GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB No. 25*, are presented in the separately issued audited financial statements of the City Plan and PGW Plan. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

A. PRIMARY GOVERNMENT

(1) City Plan

a. PENSION FUND DESCRIPTION

Plan Administration. The Philadelphia Board of Pensions (the Pension Board) administers the City of Philadelphia Municipal Pension Fund (the Fund), a single-employer defined benefit pension plan with a small but increasing defined contribution component, which provides pensions for all officers and employees of the City of Philadelphia (the City), as well as those of three quasi-governmental agencies (per applicable enabling legislation and contractual agreements). The Board was established by section 2-308 of the 1952 Philadelphia Home Rule Charter. Its actions in administering the Retirement System are governed by Title 22 of the Philadelphia Code.

The Board consists of nine voting members - four elected by the active members within the civil service, and the City's Controller, Solicitor, Managing Director, Personnel Director, and Director of Finance, who serves as the Chair.

Plan Membership.
At July 1, 2019, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Actives		28,596
Terminated Vesteds		965
Disabled		3,883
Retirees		22,241
Beneficiaries		8,574
DROP		2,069
Total City Members		66,328
Annual Salaries	$	1,842,554,883
Average Salary per Active Member	$	64,434
Annual Retirement Allowances	$	774,067,324
Average Retirement Allowance	$	22,309

Contributions.
Per Title 22 of the Philadelphia Code, members contribute to the Fund at various rates based on bargaining unit, uniform/non-uniform/elected/exempt status, and entry date into the Fund. Beginning July 1, 2019, members contributed at one of the following rates:

Employee Contribution Rates
For the Period of July 1, 2019 to June 30, 2020

	Municipal (1)	Elected (2)	Police	Fire
Plan 67	7.00%	N/A	6.00%	6.00%
Plan 87	3.49%	10.75%	6.84%	6.84%
Plan 87 - 50% of Aggregate Normal Cost (3)	4.15%	N/A	N/A	N/A
Plan 87 - Accelerated Vesting (4)	4.25%	12.78%	N/A	N/A
Plan 87 Prime (5)	4.49%	11.75%	7.84%	7.84%
Plan 10	2.33%	N/A	7.34%	7.34%
Plan 10 - Accelerated Vesting	2.75%	N/A	N/A	N/A
Plan 16 (6)	4.04%	N/A	N/A	N/A
Plan 16 - Accelerated Vesting (7)	4.53%	N/A	N/A	N/A

1- For the Municipal Plan 67 members w ho participate in the Social Security System, employee contributions are 4.75% of compensation up to the social security w age base and 7% above it.
2- The employee contribution rate is based upon the normal cost of $532,080 under plan 87 Elected, normal cost or $300,735 under Plan 87 Municpal and annual payroll of $3,298,255.
3- This represents 50% of aggregate Normal Cost for all members in Plan Y and applies to Deputy Sheriffs hired betw een 1/1/2012 and 6/20/2018
4- Member rates for Municipal Plan 87 (Y5) members eligible to vest in five years and Elected Officials (L8) eligible to be vested in eight years instead of 10.
5- Plan 87 Prime refers to new hires w ho have the option to elect Plan 10 but have elected to stay in Plan 87. New hires after 7/1/2017 in Police and Fire Plan 87 Prime pay 8.50%
6- Beginning January 1, 2019, all Municipal groups (except elected officials) w ill participate in Plan 16.
7- Member rate for Municipal Plan 16 members eligible to vest in 7 years instead of 10 years.

Employer contributions are made by the City throughout each fiscal year (which ends June 30) and by three (3) quasi-governmental agencies on a quarterly basis. These contributions, determined by an annual actuarial valuation report (AVR), when combined with plan member contributions, are expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Within the AVR, three contribution amounts are determined based upon three different sets of rules for determining the way the unfunded actuarial liability is funded.

The first method is defined in accordance with Act 205 and defines the Minimum Municipal Obligation (MMO), which is the City's minimum required contribution under Pennsylvania state law.

The second method is in accordance with the City's Funding Policy, which predates the Act 205 rules and calls for contributions that are greater than the MMO until the initial unfunded liability determined in 1984 is fully funded.

The third method currently followed by the City, the Revenue Recognition Policy (RRP), calls for additional revenue to be contributed each year to the fund in excess of the MMO. There are three sources of additional revenue that will be received by the Fund: 1) a portion of the sales tax according to the State Legislation, 2) additional tiered member contributions based on salary level for all municipal employees, and 3) additional member contributions from the current and future uniform members in Plan 87.

Under all funding methods, there are two components: the normal cost and the amortized unfunded actuarial liability. The actuarial unfunded liability is the amount of the unfunded actuarial liability that is paid each year based upon the given or defined amortization periods. The amortization periods are the same under the MMO and RRP, but different under the City's Funding Policy.

City's Funding Policy:
The initial July 1, 1985 UAL was amortized over 34 years ending June 30, 2020, with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability are amortized in level-dollar payments as follows:

- Actuarial gains and losses – 20 years beginning July 1, 2009. Prior gains and losses were amortized over 15 years.
- Assumptions changes – 15 years beginning July 1, 2010. Prior to July 1, 2010, assumption changes were amortized over 20 years.
- Plan changes for active members – 10 years.
- Plan changes for inactive members – 1 year.
- Plan changes mandated by the State – 20 years.

In fiscal year 2020, the City and other employers' contributions of $768.7 million was less than the actuarially determined employer contribution (ADEC) of $839.7 million. In the event that the City contributes less than the funding policy, an experience loss will be created which will be amortized in accordance with funding policy over a closed 20-year period.

The Schedule of Employer Contributions (based on the City's Funding Policy) is included as Required Supplemental Information and provides a 10-year presentation of the employer contributions.

Minimum Municipal Obligation (MMO):
For the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL. All future amortization periods will follow the City's Funding Policies as outlined above.

In the fiscal year 2020, the City and other employers' contributions of $768.7 million exceeded the Minimum Municipal Obligation of $675.8 million.

The Schedule of Employer Contributions (based on the MMO Funding Policy) is included as Required Supplemental Information and provides a 10-year presentation of the employer contributions.

Revenue Recognition Policy (RRP)
Revenue Recognition Policy is similar to the MMO except that the assets used to determine the unfunded liability do not include portion of sales tax revenue, tiered member contributions from the municipal employees, and additional uniform members' contributions. These sources of income are contributed over and above the City's contribution of the MMO and will be in addition to the MMO. Therefore, under this funding method the additional revenue amounts are separately tracked and accumulated in a notional account which is then subtracted from the assets before calculating the contribution amounts due under the Minimum Municipal Obligation (MMO) methodology. The fund accumulates these amounts in a notional account and deducts them from the Actuarial Asset Value before the MMO is determined. These amounts are accumulated at the Actuarial Asset Value return rates to preserve the new funding methodology objective.

In the fiscal year 2020, the City and other employers' contributions of $768.7 million exceeded the contribution under Revenue Recognition Policy of $704.6 million.

The Schedule of Employer Contributions (based on the RRP Funding Policy) is included as Required Supplementary Information and provides a 10-year presentation of the employer contributions.

b. <u>BENEFITS</u>

The Fund provides retirement, disability, and death benefits according to the provisions of Title 22 of the Philadelphia Code. These provisions prescribe retirement benefit calculations, vesting thresholds, and minimum retirement ages that vary based on bargaining unit, uniform/non-uniform status, and entry date into the System.

Non-uniform employees may retire at either age 55 with up to 80% of average final compensation (AFC) or age 60 with up to either 100% or 25% of AFC, depending on entry date into the Fund. Uniform employees may retire at either age 45 with up to 100% of AFC or age 50 with up to either 100% or 35% of AFC, depending on entry date into the Fund. Survivorship selections may result in an actuarial reduction to the calculated benefit.

Members may qualify for service-connected disability benefits regardless of length of service. Service-connected disability benefits are equal to 70% of a member's final rate of pay and are payable immediately without an actuarial reduction. These applications require approval by the Board. Eligibility to apply for non-service-connected disability benefits varies by bargaining unit and uniform/non-uniform status. Non-service-connected disability benefits are determined in the same manner as retirement benefits and are payable immediately.

Service-connected death benefits are payable to:

1. surviving spouse/life partner at 60% of final rate of pay plus up to 2 children under age 18 at 10% each of final rate of pay (maximum payout: 80%);
2. if no surviving spouse/life partner, up to 3 children under age 18 at 25% each of final rate of pay (maximum payout 75%); or
3. if no surviving spouse/life partner or children under age 18, up to 2 surviving parents at 15% each of final rate of pay (maximum payout 30%).

Non-service-connected deaths are payable as a lump sum payment, unless the deceased was either vested or had reached minimum retirement age for their plan, in which case the beneficiary(ies) may instead select a lifetime monthly benefit, payable immediately with an actuarial reduction.

A Pension Adjustment Fund (PAF) is funded with 50% of the excess earnings that are between 1% and 6% above the actuarial assumed earnings rate. Each year within sixty days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost of living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries and their survivors. As of July 1, 2019, the date of the most recent actuarial valuation, there was $1,225,114 in the PAF and the Board voted to make PAF distributions of $0 during the fiscal year ended June 30, 2020.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the 4-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the 4-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the 4-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2020 is $156.0 million.

c. INVESTMENTS

The Pension Board's Investment Policy Statement provides, in part:

The overall investment objectives and goals should be achieved by use of a diversified portfolio, with safety of principal a primary emphasis. The portfolio policy should employ flexibility by prudent diversification into various asset classes based upon the relative expected risk-reward relationship of the asset classes and the expected correlation of their returns.

The Fund seeks an annual total rate of return of not less than 7.55% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its current actuarially assumed earnings projection of 7.55% over a market cycle. There was no change in investment return assumption from the prior fiscal year. The Fund's investment program will pursue its aforestated total rate of return by a combination of income and appreciation, relying upon neither exclusively in evaluating a prospective investment for the Fund.

All investments are made only upon recommendation of the Fund's Investment Committee and approval by a majority of the Pension Board. In order to document and communicate the objectives, restrictions, and guidelines for the Fund's investment staff and investments, a continuously updated Investment Policy

Statement is maintained. The Investment Policy Statement is updated (and re-affirmed) each year at the January Board meeting.

The following was the Board's approved asset allocation policy as of November 14, 2019:

Asset Class	Target Allocation
Broad Fixed Income	13.0 %
High Yield	1.0 %
Global Aggregate	1.0 %
Emerging Market Debt	2.0 %
U.S. Large Cap Core Equity	20.0 %
U.S. Mid Cap Core Equity	4.0 %
U.S. Small Cap Core Equity	4.0 %
Global Low Volatility Equity	10.0 %
International Developed Large Cap Equity	10.0 %
International Small Cap Equity	3.0 %
Emerging Market Equity	3.0 %
Core Real Estate	10.0 %
Public REITs	1.0 %
Opportunistic Real Estate	1.0 %
Global Infrastructure	5.0 %
Private Equity	12.0 %
Total	100.0 %

Money-Weighted Rate of Return
For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
Financial statements of the Fund are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Fund.

Method Used to Value Investments
The Fund's investments are reported at fair value. Fair value is the amount that the Fund can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges or securities pricing services. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on similar sales.

For private market investments which include private equity, private debt, venture capital, hedge funds and equity real estate investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership's most recent available financial information. Some of the investment values provided in the report are estimates due to a lag in reporting for private market investments.

Futures contracts, foreign exchange contracts, and options are marked-to-market daily with changes in market value recognized as part of net appreciation/depreciation in the fair value of investments. Initial margin requirements for such financial instruments are provided by investment securities pledged as collateral or by cash.

Investment expenses consist of investment manager fees and investment consultant fees related to the traditional investments only, and not those fees related to the alternative investments. Unsettled investment sales are reported as Accrued Interest and Other Receivable, and unsettled investment purchases are included in Accrued Expenses and Other Liabilities.

Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis.

Income Taxes
The Fund qualifies under Section 401(a) of the Internal Revenue Code (IRC) and is exempt from income taxation as allowed by Section 501(a) of the IRC.

Related Parties
The City's Department of Finance provides cash receipt and cash disbursement services to the Fund. The City's Solicitor's office provides legal services to the Fund. Other administrative services are also provided by the City.

Use of Estimates in Preparing Financial Statements
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties
The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Contributions are calculated based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these statements and assumptions in the near-term would be material to the financial statements.

Administrative Expenses
Administrative expenses of the Fund are paid for by the Fund.

e. CASH DEPOSITS, INVESTMENTS AND SECURITIES LENDING

Legal Provisions
The Fund is authorized to invest in "prudent investments," including obligations of the U.S. Treasury, agencies and instrumentalities of the United States, investment grade corporate bonds, common stock, real estate, private market, etc. City ordinances contain provisions which preclude the Fund from investing in organizations that conduct business in certain countries and also impose limitations on the amounts invested in certain types of securities.

Custodial Credit Risk
Custodial credit risk for Deposits is the risk that in the event of a bank failure, the Fund’s deposits may not be returned to them. The Fund’s cash deposits are held in two banks as of June 30, 2020. Amounts are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution’s trust department or agent in the Fund’s name. The Fund classifies Money Market funds held by custodian institution, JPMorgan, N.A., as cash equivalents. The Fund also classifies Treasury Bills as cash equivalent if the date of maturity is three months or less from the acquisition date. Custodial credit risk for Investments is the risk that in the event of counter-party failure, the Fund may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty’s trust department are uninsured and are not registered in the name of the Fund. The Fund requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Fund. Certain investments may be held by the managers in the Fund’s name.

Interest Rate Risk
Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes.

Duration is a measure of the approximate sensitivity of a bond’s value to interest rate changes. The higher the duration, the greater the changes in fair value when interest rates change. The Fund measures interest rate risk using segmented time distribution, which shows the total fair value of investments maturing during a given period.

The table below details the exposure to interest rate changes based upon maturity dates of the fixed income securities at June 30, 2020:

2020 (in Thousands)	Total Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Asset Backed Securities	$ 28,541	$ 1,239	$ 4,862	$ 8,281	$ 14,159
CDO	271	271	-	-	-
CMO/REMIC	5,977	1,663	18	68	4,228
Commercial Mortgage Backed Securities	20,525	6,901	402	1,352	11,870
Corporate Bonds	415,705	106,229	86,980	141,201	81,295
Government Bonds	325,457	144,925	67,561	51,431	61,540
Mortgage Backed Securities	70,330	320	297	4,919	64,794
Municipal Bonds	14,958	-	2,234	3,882	8,842
Total Credit Risk of Debt Securities	$ 881,764	$ 261,548	$ 162,354	$ 211,134	$ 246,728

Concentration of Credit Risk

Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2020, the Fund has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The fund is subject to credit risk on $881.8 million of directly owned fixed income securities. The Fund's directly owned rated debt investments as of June 30, 2020 were rated by Standard & Poor's, a nationally recognized statistical rating agency and are presented below using Standard and Poor's rating scale:

		Credit Rating										
2020 (in Thousands)	Total Fair Value	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	$ 28,541	$ 8,189	$ 1,524	$ 2,185	$ 5,771	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,872
CDO	271	271	-	-	-	-	-	-	-	-	-	-
CMO/REMIC	5,977	753	4,619	-	-	301	-	-	-	-	-	304
Commercial Mortgage Backed Securities	20,525	8,241	9,107	420	-	-	176	59	-	-	-	2,522
Corporate Bonds	415,705	544	8,018	137,225	135,149	61,460	42,963	17,284	383	22	-	12,657
Government Bonds	325,457	11,218	213,662	17,638	56,918	14,345	8,535	632	1,291	14	1,040	164
Mortgage Backed Securities	70,330	-	70,330	-	-	-	-	-	-	-	-	-
Municipal Bonds	14,958	2,227	5,292	5,005	1,538	896	-	-	-	-	-	-
Total Credit Risk of Debt Securities	$ 881,764	$ 31,443	$ 312,552	$162,473	$199,376	$ 77,002	$ 51,674	$ 17,975	$ 1,674	$ 36	$ 1,040	$ 26,519

Foreign Currency Risk

The Fund's exposure to foreign currency risk derives from its position in foreign currency-denominated cash and investments in fixed income, equities, and derivatives. The foreign currency investment in equity securities is 38.5% of the total investment in equities.

The Fund's exposure to foreign currency risk at June 30, 2020 was as follows (expressed in thousands):

Currency	Cash	Fixed Income	Equities	Derivatives	Total
Euro (EUR)	$ 1,728	$ 12,897	$ 326,881	$ 282	$ 341,788
Japanese Yen (JPY)	329	-	248,018	(46)	248,301
Pound Sterling (GBP)	149	945	148,887	(242)	149,739
Canadian Dollar (CAD)	159	815	107,739	(4)	108,709
Hong Kong Dollar (HKD)	90	-	94,933	-	95,023
Swiss Franc (CHF)	635	-	86,510	3	87,148
Australian Dollar (AUD)	145	6,773	75,156	(360)	81,714
Swedish Krona (SEK)	174	-	29,377	3	29,554
South Korean Won (KRW)	-	-	29,274	5	29,279
Mexican Peso (MXN)	25	19,333	4,112	45	23,515
Danish Krone (DKK)	105	-	19,183	5	19,293
Brazilian Real (BRL)	-	3,833	10,758	(194)	14,397
Malaysian Ringgit (MYR)	-	6,663	6,110	-	12,773
South African Rand (ZAR)	21	5,257	7,275	(205)	12,348
Indonesian Rupiah (IDR)	43	7,269	4,486	47	11,845
Singapore Dollar (SGD)	127	-	10,887	-	11,014
Polish Zloty (PLN)	51	7,445	2,402	-	9,898
Colombian Peso (CLP)	-	6,896	483	37	7,416
Norwegian Krone (NOK)	78	-	6,777	381	7,236
New Zealand Dollar (NZD)	120	-	5,148	160	5,428
Thai Baht (THB)	6	-	4,911	-	4,917
Israeli New Shekel (ILS)	77	-	4,258	-	4,335
All Others	2,681	6,987	8,967	231	18,866
	$ 6,743	$ 85,113	$ 1,242,532	$ 148	$ 1,334,536

Derivatives

The Fund may invest in derivatives as permitted by guidelines established by the Pension Board. Pursuant to such authority, the Fund may invest in foreign currency forward contracts, options, futures (S&P Fund) and swaps. No derivatives were purchased with borrowed funds.

Derivatives are generally used to provide market exposure in the equity portfolio and to hedge against foreign currency risk and changes in interest rates, improve yield and adjust the duration of the Fund's fixed income portfolio. These securities are subject to changes in value due to changes in interest rates or currency valuations. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the Fund, which is the risk that the counterparty might be unable to meet its obligations.

Derivative instruments such as swaps, options, futures, and forwards are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments also can expose governments to significant risks and liabilities.

The Fund enters into a variety of financial contracts, which include options, futures, forwards and swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMOs); other forward contracts, and U.S. treasury strips. The contracts are used primarily to enhance performance and reduce the volatility of the portfolio. The Fund is exposed to credit risk in the event of non-performance by counterparties to financial instruments. The Fund generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The Fund is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the Fund's involvement in the various types and uses of derivative financial instruments and do not measure the Fund's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

Derivative Instruments
The following table summarizes aggregate notional or contractual amounts for the Fund's derivative financial instruments at June 30, 2020 in addition to the fair value and change in the fair value of derivatives.

List of Derivatives Aggregated by Investment Type

List of Derivatives Aggregated by Investment Type

Classification	Change in Fair Value		Fair Value at June 30, 2020		Notional
Investment Derivatives					
Forwards Currency Contracts	Net Appreciation (Depreciation) in Investments	$ (271,167)	Investments	$ 143,489	$ 355,664,602
Futures	Net Appreciation (Depreciation) in Investments	(382,194)	Investments	18,578	176
Grand Totals		$ (653,361)		$ 162,067	$ 355,664,778

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the City of Philadelphia Municipal Pension Fund. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have credit ratings available from nationally recognized rating institutions such as Moody, Fitch, and S&P. The details of other risks and financial instruments in which the Fund involves are described below.

Credit risk:
The Fund is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Fund's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Fitch Ratings and Standard & Poor's or Aa as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The city has never failed to access collateral when required.

It is the Fund's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

Swap agreements:
These derivative instruments provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. Under fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were no received-fixed interest rate Swaps during 2020. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Fund's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Fund's net payment on the swap increases.

Futures contracts:
These derivative instruments are types of contracts in which the buyer agrees to purchase, and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that the counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Fund enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The realized gain from Futures contracts was $132,253.

Forward contracts:
The Fund is exposed to basis risk on its forward contracts because of a possible mismatch between the price of the asset being hedged and the price at which the forward contract is expected to settle. The realized loss from forward contracts was ($6,784,985).

Termination risk:
The Fund or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the Fund is exposed to termination risk on its receive-fixed interest rate swap. The Fund is exposed to termination risk on its rate cap because the counterparty has the option to terminate the contract if the SIFMA swap index exceeds 12%. If at the time of termination, a hedging derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover risk:
The Fund is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Fund will be re-exposed to the risks being hedged by the hedging derivative instrument.

Fair Value Measurement
The Municipal Pension Fund has the following recurring fair value measurement as of June 30, 2020 (expressed in thousands):

		Fair Value Measurements Using		
	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Treasury Securities	$ 125,207	$ -	$ 125,207	$ -
Agency Bonds	78,606	-	78,606	-
Asset Backed Securities	28,541	-	28,541	-
Collateralized Debt Obligation	271	-	271	-
Corporate Bonds	415,705	-	415,705	-
Government Bonds	116,066	-	116,066	-
Mortgage Backed Securities	96,832	-	96,832	-
Municipal Bonds	14,958	-	14,958	-
Sovereign Debt	5,578	-	5,578	-
Mutual Funds	1,064	1,064	-	-
Equity	3,224,022	3,221,830	530	1,662
Total Investments by Fair Value Level	4,106,850	3,222,894	882,294	1,662
Investments Measured at the Net Asset Value (NAV)				
Credit Distressed Hedge Fund	$ 1,174			
Equity Long/Short Hedge funds	20,166			
Real Estate	597,760			
Private Equity	574,376			
Fixed Income Hedge Funds	41,737			
Total Investments Measured at the NAV	1,235,213			
Total Investments Measured at Fair Value	$ 5,342,063			
Investment Derivative Instruments				
Equity Index Futures (Assets)	$ 36	$ 36	$ -	
Equity Index Futures (Liabilities)	(54)	$ (54)		
Currency Futures (Assets)	37	37	-	
Forward Currency Contracts (Assets)	2,035	-	2,035	
Forward Currency Contracts (Liabilities)	(1,892)	-	(1,892)	
Total Investment Derivative instruments	$ 162	$ 19	$ 143	

Equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Equities in Level 3 are valued using discounted cash flow techniques.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using quoted market prices. Derivative instruments classified in Level 2 are valued using a market approach that considers benchmark for foreign exchange rates.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (expressed in thousands).

			Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investment Measured at the Net Asset Value (NAV)					
Credit Distressed Hedge Fund	$	1,174	$ -	Quarterly	90 days
Equity Long/Short Hedge funds		20,166	-	Quarterly	90 days' notice
Real Estate		597,760	7,901	N/A	N/A
Private Equity		574,376	286,044	N/A	N/A
Fixed Income Hedge Funds		41,737	-	Quarterly	90-120 days
Total Investments Measured at the NAV	$	1,235,213			

1. Credit distressed hedge funds: The Funds seek to identify and exploit event driven opportunities both on the long and short side in the stressed and distressed corporate debt markets. Investments are generally driven by fundamental, value-oriented analysis, and specific credit events. The Funds maintain the flexibility to invest globally and across capital structures of stressed and distressed companies. Investments generally target secondary U.S. credit opportunities across all tranches of a company's debt capital structure. The Funds may also invest opportunistically in certain equities, long and short. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments can be redeemed with a 90 days' notice.

2. Equity long/short hedge funds: This Fund will typically hold 0-50 long positions and 10-15 short positions in U.S. common stocks. Management can shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The Fund mitigates market risk by utilizing short positions. In periods of extreme volatility, the Fund may hold a significant portion of its assets in cash. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investment can be redeemed with a 90 days' notice.

3. Real estate funds: This type includes funds that invest in U.S. and Non-U.S. commercial and residential real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management is required to approve of the buyer before the sale of the investments can be completed. It is expected that the underlying assets of the funds will be liquidated over the next seven to 10 years.

4. Private equity funds: The primary goal of these Funds is to generate returns for investors that exceed private equity industry benchmarks and are commensurate with asset class risk through the construction of a portfolio of opportunistic, highly performing private equity investments. Investments these funds may undertake include early-stage venture capital, later-stage growth financings, leveraged buyouts of medium and large-sized companies, mezzanine investments, PIPES and investments in companies that are being taken private. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over five to 10 years. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. Once a buyer has been identified, the investee fund's management is required to approve of the buyer before the sale of the investments can be completed.

5. Fixed income hedge funds: The primary goal of these Funds is to create alpha by sourcing proprietary opportunities, avoiding capital loss, buying securities below their intrinsic value and selling securities above their intrinsic value. Firms look for opportunities that are currently mispriced, based on fundamentals or potentially an event that may improve the price of the holding. Investments are generally driven by fundamental, value-oriented analysis, and specific credit events. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments can be redeemed with a 90-120 days' notice.

Securities Lending Program

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized J.P. Morgan Bank and Trust Company (J.P. Morgan) to act as the Fund's agent in lending the Fund's securities to approved borrowers. J.P. Morgan, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, J.P. Morgan lent, on behalf of the Fund, certain securities of the Fund held by J.P. Morgan Chase Bank, N.A. as custodian and received cash or other collateral including securities issued or guaranteed by the United States, U.K., and Eurozone governments. J.P. Morgan does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102% or 105% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, J.P. Morgan had an obligation to indemnify the Fund in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed account based upon the investment guidelines established by the Fund. As of June 30, 2020, the weighted average maturity was 48 days and the final maturity was 351 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2020, the Fund had no credit risk exposure to borrowers because all borrowers were required to deliver collateral for each loan.

As of June 30, 2020, the fair value of securities on loan was $378.1 million. Associated collateral totaling $391.2 million was comprised of cash which was invested in a separately managed account based upon the investment guidelines established by the Pension Fund. As of June 30, 2020, the invested cash collateral was $391.2 million and is valued at amortized cost.

f. INVESTMENT ADVISORS

The Fund utilizes investment advisors to manage long-term debt, real estate, private market, and equity portfolios. To be eligible for consideration, investments must meet criteria set forth in governing laws and regulations.

g. NET PENSION LIABILITY

The components of the net pension liability as of June 30, 2020 were as follows:

Total Pension Liability	$ 11,983,391,471
Plan Fiduciary Net Position	5,782,890,966
Collective Net Pension Liability	$ 6,200,500,505

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 48.3%

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2019 and was rolled forward to June 30, 2020. The June 30, 2019 actuarial valuation used the following actuarial assumptions, applied to all periods including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.55% compounded annually, net of expenses
Salary Increases:	Age based table

The investment return assumption remained unchanged at 7.55% from the prior year valuation to the current year valuation.

To recognize the expense of the benefits payable under the Pension Adjustment Fund, the actuarial liabilities have been increased by 0.54%. This estimate is based on the statistical average expected value of the benefits.

Mortality Rates: For Municipal and Elected Officials, 127% and 119% for males and females, respectively, of the RP-2014 Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017. For Uniform, 115% of the RP-2014 Blue Collar Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

The measurement date for the net pension liability (NPL) is June 30, 2020. Measurements are based on the fair value of assets as of June 30, 2020 and the total pension liability (TPL) as of the valuation date, July 1, 2019, updated to June 30, 2020. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. During the measurement year, the collective NPL increased by approximately $115 million. The service cost and interest cost increased the collective NPL by approximately $ 1.06 billion while contributions plus investment income offset by administrative expenses decreased the collective NPL by approximately $957 million.

Additionally, there was an actuarial experience loss during the year of approximately $9 million primarily due to mortality experience and from participants in transition from active to non-active status.

Long-term expected rate of return:
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Broad Fixed Income	1.6 %
High Yield	5.3 %
Global Aggregate	1.1 %
Emerging Market Debt	5.2 %
U.S. Large Cap Core Equity	7.2 %
U.S. Mid Cap Core Equity	7.5 %
U.S. Small Cap Core Equity	7.9 %
Global Low Volatility Equity	6.9 %
International Developed Large Cap Equity	7.5 %
International Small Cap Equity	7.8 %
Emerging Market Equity	8.1 %
Hedge Funds	5.7 %
Core Real Estate	5.6 %
Public REITs	5.9 %
Opportunistic Real Estate	11.2 %
Global Infrastructure	7.1 %
Private Equity	11.4 %

The above table reflects the expected real rate of return for each major asset class. The expected inflation rate is projected at 2.0% for the same period.

Discount Rate: The discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability: The following presents the net pension liability of the Fund, calculated using the discount rate of 7.55%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 6.55%	Discount Rate 7.55%	1% Increase 8.55%
Total Pension Liability	$ 13,209,508,185	$ 11,983,391,471	$ 10,939,076,304
Plan Fiduciary Net Position	5,782,890,966	5,782,890,966	5,782,890,966
Collective Net Pension Liability	$ 7,426,617,219	$ 6,200,500,505	$ 5,156,185,338
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.8%	48.3%	52.9%

h. GUARANTEE OF BENEFITS
Benefits under the Fund are guaranteed by statute. In the event that employee contributions do not equal required benefits, the City's General Fund must provide any shortfall.

i. PARTICIPATION IN THE PENSION FUND
The trustees for the Fund are also members of the Fund and as such, are subject to the provisions of the Fund as described in the notes to these financial statements.

j. REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

Changes in Collective Net Pension Liability: The following table shows the changes in total pension liability (TPL), the plan fiduciary net position (i.e., fair value of the System assets) (FNP), and the net pension liability (NPL) during the measurement period ending on June 30, 2020.

Change in Collective Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2019	$ 11,774,268,695	$ 5,688,383,351	$ 6,085,885,344
Changes for the year:			
Service cost	190,456,944		190,456,944
Interest	871,381,015		871,381,015
Changes of benefits	0		0
Differences between expected and actual experience	9,482,477		9,482,477
Changes of assumptions	0		0
Contributions - employer		768,720,687	(768,720,687)
Contributions - member		111,824,994	(111,824,994)
Net investment income		87,150,696	(87,150,696)
Benefit payments	(862,197,660)	(862,197,660)	0
Administrative expense		(10,991,102)	10,991,102
Net changes	209,122,776	94,507,615	114,615,161
Balances at 6/30/2020	$ 11,983,391,471	$ 5,782,890,966	$ 6,200,500,505

Employer's Proportionate Shares: GASB 68 requires that the proportionate share for each employer be determined based upon the "employer's projected long-term contribution effort to the pension … as compared to the total long-term contribution effort to all employers". In addition to the City, three governmental agencies currently participate in the system, PHDC, PPA, and PMA. The method of allocation is based on the ratio of quasi-agency contributions in proportion to total contributions by plan.

Pension Amounts by Employer: The following schedule presents the pension amounts for each participating employer: Philadelphia Parking Authority (PPA), Philadelphia Municipal Authority (PMA), Philadelphia Housing Development Corporation (PHDC), and the City of Philadelphia (City).

Schedule of Pension Amounts by Employer

	For the year ended	PPA	PMA	PHDC	City	Total
Collective pension expenses		$ 11,449,456	$ 374,165	$ 1,346,995	$ 735,159,835	$ 748,330,451
Change in proportion		(22,619,894)	38,721	(1,847,449)	24,428,622	-
Contribution difference		6,065,299	78,317	505,439	(6,649,054)	-
Employer pension expense		(5,105,139)	491,203	4,985	752,939,403	748,330,451
Net pension liability	6/30/19	121,109,118	3,042,943	10,954,594	5,950,778,689	6,085,885,344
Net pension liability	6/30/20	94,867,658	3,100,250	11,160,901	6,091,371,696	6,200,500,505
Change in net pension liablility		(26,241,460)	57,307	206,307	140,593,007	114,615,161
Deferred outflows	6/30/19	14,583,914	712,752	1,237,713	235,767,146	252,301,525
Deferred outflows	6/30/20	16,695,920	699,828	1,660,871	371,962,899	391,019,518
Change in deferred outflows		2,112,006	(12,924)	423,158	136,195,753	138,717,993
Deferred inflows	6/30/19	(29,582,073)	(93,147)	(2,918,062)	(11,442,756)	(44,036,038)
Deferred inflows	6/30/20	(33,999,230)	(14,836)	(1,070,613)	(12,663,956)	(47,748,635)
Change in deferred inflows		(4,417,157)	78,311	1,847,449	(1,221,200)	(3,712,597)
Employer contributions		18,831,170	499,282	2,069,286	747,320,949	768,720,687
Employer pension expense		(5,105,139)	491,203	4,985	752,939,403	748,330,451

Reconciliation of Net Pension Liability

The following table reconciles the Collective Net Pension Liability to the amount reported in the Primary Government Net Pension Liability in Exhibit I.

Reconciliation of Collective Net Pension Liability to the Primary Government Net Pension Liability

(Amounts in thousands of USD)

Municipal Pension Fund	Proportionate Share of NPL	Discretely Presented Component Units	City and Blended Component Units
City	6,091,372	-	6,091,372
PPA	94,868	94,868	-
PMA	3,100	-	3,100
PHDC (1)	11,161	11,161	-
Collective Net Pension Liability	6,200,501	106,029	6,094,472
State Pension Fund			
PICA			1,413
City's Primary Government Net Pension Liability (Exhibit I)			6,095,885

(1) PHDC does not appear in the Component Unit Financial Statements (Exhibit XI Statement of Net Position and Exhibit XII Statement of Activities) due to immaterially.

Deferred Outflows by Employer

The following table summarizes the deferred outflows allocated to each employer for experience, assumptions changes, investment returns and contribution differences.

Schedule of Employer's Deferred Outflows

	PPA	PMA	PHDC	CITY	Total
Proportionate Shares	1.53%	0.05%	0.18%	98.24%	100%
Experience	$ 328,628	$ 10,739	$ 38,662	$ 21,100,950	$ 21,478,979
Assumption changes	896,558	29,299	105,477	57,567,245	58,598,579
Investment return	4,026,858	131,597	473,748	258,561,122	263,193,325
Proportion change	-	351,098	-	34,733,582	35,084,680
Contribution difference	11,443,876	177,095	1,042,984	-	12,663,955
	$ 16,695,920	$ 699,828	$ 1,660,871	$ 371,962,899	$ 391,019,518

Deferred Inflows by Employer

The following table summarizes the deferred inflows allocated to each employer for experience, assumptions changes, investment returns and contribution differences.

Schedule of Employer's Deferred Inflows

	PPA	PMA	PHDC	CITY	Total
Proportionate Shares	1.53%	0.05%	0.180%	98.24%	100%
Experience	$ -	$ -	$ -	$ -	$ -
Assumption changes	-	-	-	-	-
Investment return	-	-	-	-	-
Proportion change	(33,999,230)	(14,836)	(1,070,613)	-	(35,084,679)
Contribution difference	-	-	-	(12,663,956)	(12,663,956)
	$ (33,999,230)	$ (14,836)	$ (1,070,613)	$ (12,663,956)	$ (47,748,635)

Recognition of Deferred Outflows and Inflows by Employer

The following table shows the net amount of deferred outflows and inflows to be recognized by each participating employer in each of the next five years and the total thereafter.

Schedule of Employer's Recognition of Deferred Outflows and Inflows

For Year ending	PPA	PMA	PHDC	CITY	Total
2021	$ (8,604,999)	$ 207,086	$ (303,193)	$ 86,653,317	$ 77,952,211
2022	(2,992,773)	206,535	302,832	93,289,934	90,806,528
2023	(2,789,434)	213,180	326,754	106,346,166	104,096,666
2024	(2,916,105)	58,192	263,866	73,009,526	70,415,479
2025	-	-	-	-	-
Thereafter	-	-	-	-	-
Total	$ (17,303,311)	$ 684,993	$ 590,259	$ 359,298,943	$ 343,270,884

(2) Philadelphia Gas Works (PGW) Plan

a. PLAN DESCRIPTION

The City of Philadelphia (the “City”), maintains two pension systems providing benefits for its employees and several of its component units: The City’s pension system includes the Municipal Pension (the “Fund”); and the Gas Works Plan (the “Plan”). Each pension system is a separate Public Employee Retirement System (“PERS”) with a separate oversight body and is financially independent of the others. In each case, the City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system.

There are no component units of the Plan. In determining its oversight responsibility, the Plan considers financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability of fiscal matters.

The Plan consists of Philadelphia Gas Works (“PGW” or the “Company”), a component unit of the City and is included in the City’s Comprehensive Annual Financial Report as a trust and agency fund.

The Plan is a single employer defined benefit PERS. The Plan provides pension benefits for all eligible employees of Philadelphia Gas Works, and other eligible class employees of Philadelphia Facilities Management Corporation (PFMC) and Philadelphia Gas Commission (PGC).

The Plan is administered by the Sinking Fund Commission of the City of Philadelphia (the “Commission”). The Commission is responsible for the administration of the Plan. Certain administrative aspects of the Plan are delegated to PGW. The Commission acts in a fiduciary matter with regards to the assets of the Plan. The Commission was established by the City Charter and consists of the Director of Finance, the City Controller and an experienced banker or investment banker appointed by the Mayor. Alternates for these members are allowed by written authorization of the Mayor.

As of the latest available actuarial valuation (June 30, 2020), the Plan’s membership consisted of:

Active participants	1,163
Retired participants	2,195
Vested terminated participants	319
Total plan participants	3,677
Total Payroll	$ 95,933,744
Average pay	82,488

The Plan is currently open to all employees of PGW.

b. BENEFITS PROVIDED

Normal Retirement Benefits: The Plan provides retirement benefits as well as death and disability benefits. Retirement benefits are vested after 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

- 1.25 percent of the first $6,600 of Final Average Earnings plus 1.75 percent of the excess of Final Average Earnings over $6,600, times years of credited service, with a maximum of 60 percent of the highest annual earnings during the last 10 years of credited service, applicable to all participants; or,

- 2 percent of total earnings received during the period of credited service plus 22.5 percent of the first $1,200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

Final Average Earnings are the employees’ average pay, over the highest five years of the last ten years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

Except as noted in the following paragraph, covered employees are not required to contribute to the Pension Plan.

In December 2011, the Pension Plan was amended by Ordinance and a new deferred compensation plan was authorized by Ordinance as well. Newly hired employees have an irrevocable option to join either a new deferred compensation plan created in accordance with the Internal Revenue Service Code Section 401 or the existing defined-benefit plan. The defined-contribution plan provides for an employer contribution equal to 5.5% of applicable wages. The defined-benefit plan provides for a newly hired employee contributions equal to 6.0% of applicable wages. The Ordinance did not affect the retirement benefits of active employees, current retirees and beneficiaries, or terminated employees entitled to benefits but not yet receiving them.

Funding Policy: The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contributions rates are determined using the Projected Unit Credit actuarial funding method. The most recent annual actuarial valuation is as of June 30, 2020 and the contribution rate as of percentage of payroll was 30.66%.

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Benefits under the Plan are guaranteed by statute. In the event employer contributions are not sufficient to pay required benefits, the City's General fund must provide any shortfall.

Contributing participants (Non-covered employees) in the Plan are required to make annual contributions totaling 6% of their compensation. Such contributions are made by means of periodic payroll deductions determined by the Company. Contributing participants are 100% vested in their employee contributions. All participants in the Plan, including contributing participants, have no vested interest in their accrued benefit from the Plan sponsor until they have 5 years of credited service, at which time they become 100% vested in their accrued benefit. Contributions from contributing participants for the Plan year ending June 30, 2020 totaled $1,519,517.

c. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
Plan financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. The pension benefits are paid monthly and recorded as paid. As a result, there are no pension benefits payable at June 30, 2020.

Method Used to Value Investments
The Plan reports investments at their fair value in the statement of fiduciary net position. Unrealized gains and losses are included in the statement of changes in fiduciary net position. Securities traded on national or international exchanges are recorded at the last reported sales price at current exchange rates.

Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Net realized gains on sales amounted to $18,029,802 for the year ended June 30, 2020. Net unrealized loss for the year ended June 30, 2020 totaled $(15,810,485).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Due From and To Brokers
Due from brokers represents the value of investments sold by brokers prior to year-end, for which the settlement date of the sale occurred subsequent to year end. Similarly, due to brokers represents the value of investments purchased by brokers prior to year-end, for which the settlement date of the purchase occurred subsequent to year end.

Fair Value of Financial Instruments
The carrying values of financial instruments including interest and dividends receivable, due from brokers, accounts payable, and amounts due to PGW and brokers approximate their fair market value due to the relative short maturity of these instruments.

Investment Advisors
The Fund utilizes numerous investment advisors to manage debt and equity portfolios. The Sinking Fund Commission must approve all investment advisors.

Income Taxes
The Plan is not subject to Federal, state or local income taxes.

Trend Information
Historical trend information related to the Plan is presented in the Supplemental Information section. The information is presented to enable the reader to assess the progress made by the Plan in accumulating sufficient assets to pay pension benefits as they become due.

Related Parties
The Sinking Fund Commission is the trustee of the Plan. The City of Philadelphia Department of Finance provides bookkeeping services for the Plan. Philadelphia Gas Works makes monthly benefit payments to retirees on behalf of the Plan and incurs administrative expenses on behalf of the Plan. Benefits payments made by PGW and administrative costs incurred by PGW on behalf of the Plan amounted to $55,061,155 and $167,729, respectively for the year ended June 30, 2020.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at June 30, 20, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those estimates. Significant estimates include the valuation of investments without quoted prices in an active market for identical assets and the actuarial estimates for Plan future benefit obligations.

Risks and Uncertainties
The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions, in the near term, would be material to the financial statements.

Deposits and Investments
The Plan is authorized to maintain a diversified portfolio in the following types of investments: U.S. Treasury or agency obligations, corporate debt and equity securities, and foreign debt and equity securities. City ordinances and sinking fund policies contain provisions which preclude the Plan from investing in organizations that conduct business in certain countries and industries and impose limitations on the amounts invested in certain types of securities.

Investments: The Commission maintains a Statement of Investment Guidelines ("Policy") consistent with the needs of the Plan. The latest Policy was approved by the Commission at its meeting on November 25, 2019. The Policy serves as the chief communication tool of the Commission with vendors and investment managers. The Policy defines the need for the Policy, the investment goals of the Plan, the asset allocation, the investment guidelines, including prohibited investments, as well as the objectives for each manager and benchmarks for each type of investment. Additionally, it defines the necessary communication and responsibilities of each party, including the Commission, the investment managers, the custodian and any consultants. The Policy can only be revised or changed by a vote by the Commission.

For a more complete description of the Policy, see the online version at:
http://www.phila.gov/Treasurer/Documents/PGWPP.pdf.

The Pension Plan utilizes both equity and fixed-income investments consistent with the Policy as described above. As of June 30, 2020, the Plan had investments of approximately $522 million, comprised of $351 million in equities and $171 million in fixed-income investments. The ratio of equities to fixed income is 67% to 33% which is in line with the Policy guidelines of 60-70% equities and 30-40% fixed income.

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of investment expense was 2.83%.

The Commission employs third-party vendors to manage the assets of the Plan as well as perform other needed services. As of June 30, 2020, the Commission employed the following investment managers and vendors:

Manager	Mandate	Balance (Millions)
Equity Managers		
RhumbLine Asset Management	Domestic Large Cap Index	$ 119.6
RhumbLine Asset Management	International Markets	34.7
PineBridge Investments	Domestic Large Cap Index	61.5
Northern Trust Company	Domestic Large Cap Index	27.7
Acadian Asset Management	International Markets	35.1
Earnest Partners, LLC	International Markets	29.3
Copeland Capital Management	Domestic and International	21.4
Rhumbline Small CAP	Domestic Small Cap Index	21.4
		350.7
Bond Managers		
Weaver Barksdale	Core	42.0
Met Life Inc	Investment Grade	15.1
Met Life Inc	Core	37.6
Garcia Hamilton	Intermediate	33.7
Lazard Asset Management	Intermediate Plus	31.4
Sky Harbor Capital Management	High Yield	11.9
		171.7
Total		$ 522.4

At its quarterly meetings, the Commission, with the assistance of PFM Asset Management LLC monitors the performance of the investment managers over various periods of time and will change a manager when the Commission deems it necessary. Each of the managers and other vendors (except for those marked 'fund') are contracted for a period of one year, with one-year extensions at the discretion of the Commission.

Interest Rate Risk
Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes. The Plan's fixed income investments are as follows:

	Total Fair Value	Below 1 Year	1 to 5 years	5 to 10 years	10 years and over
U.S. Govt. Treasuries	$ 41,480,401	$ 4,111,599	$ 23,591,656	$ 7,846,768	$ 5,930,378
U.S. Govt. Agencies	39,648,397	20,228,360	14,718,151	1,867,390	2,834,496
Municipal Bonds	1,201,462	-	188,389	668,409	344,664
Corporate Bonds	81,814,060	8,161,752	31,538,791	29,268,595	12,844,922
Asset Backed Securities	7,505,542	3,614,754	2,411,482	1,042,823	436,483
	$ 171,649,862	$ 36,116,465	$ 72,448,469	$ 40,693,985	$ 22,390,943

Custodial Credit Risk
In the event of counter-party failure, the Plan may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department, are uninsured and are not registered in the name of the Plan. The Plan requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Plan. Certain investments may be held by the managers in the Plan's name.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Fund's rated debt investments as of June 30, 2020 were rated by Standard and Poor ("S&P"), a nationally recognized statistical rating agency and are presented below using S&Ps rating scale:

S&P Credit Rating	U.S. Government Securities	U.S. Government Agency Securities	Municipal Bonds	Corporate Bonds	Asset-Backed Securities	Total Fair Value
AAA	$ -	$ -	$ -	$ 167,358	$ 5,213,515	$ 5,380,873
AA+	41,480,401	36,857,783	-	531,686	386,973	79,256,843
AA	-	-	-	244,638	326,219	570,857
AA-	-	-	668,409	929,298	309,007	1,906,714
A+	-	-	-	2,888,187	69,530	2,957,717
A	-	-	-	5,249,078	335,480	5,584,558
A-	-	-	-	22,184,303	183,347	22,367,650
BBB+	-	-	-	15,422,546	-	15,422,546
BBB	-	-	-	12,216,245	31,094	12,247,339
BBB-	-	-	533,053	7,288,833	-	7,821,886
BB+	-	-	-	1,972,674	21,979	1,994,653
BB	-	-	-	1,624,024	24,891	1,648,915
BB-	-	-	-	1,229,656	-	1,229,656
B+	-	-	-	1,188,608	-	1,188,608
B	-	-	-	2,124,808	-	2,124,808
B-	-	-	-	2,862,019	136,871	2,998,890
CCC+	-	-	-	1,629,711	18,670	1,648,381
CCC	-	-	-	1,540,617	-	1,540,617
CCC-	-	-	-	466,967	-	466,967
NR/NA	-	2,790,614.00	-	52,804	447,966	3,291,384
	$ 41,480,401	$ 39,648,397	1,201,462	$ 81,814,060	$ 7,505,542	$ 171,649,862

Concentration of Credit Risk
Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2020, no single investment, not guaranteed by the U.S. government exceeds 5% of the Plan's net fiduciary financial position.

d. <u>DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS</u>

The accounting pronouncement on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. Such inputs include quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Corporate bonds	$ -	$ 81,814,060	$ -	$ 81,814,060
Common and preferred stock	327,817,304	22,887,986	2,749	350,708,039
U.S. government securities	41,480,401	39,648,397	-	81,128,798
Asset backed securities	-	7,505,542	-	7,505,542
Municipal obligations	-	1,201,462	-	1,201,462
	$ 369,297,705	$ 153,057,447	$ 2,749	$ 522,357,901

e. ADVANCE FROM THE PHILADELPHIA GAS WORKS

Payments to beneficiaries are made by PGW through its payroll system. The amount due to PGW at June 30, 2020 of $132,652 represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of the Company's required contribution, and reimbursements received from the Plan. Such amount will be settled in the subsequent Plan year.

f. NET PENSION LIABILITY

The components of the net pension liability of the City of Philadelphia Gas Works Retirement Reserve Fund at June 30, 2020, were as follows (dollar amounts in thousands):

Total pension liability	$ 780,792
Plan fiduciary net position	543,230
Net pension liability	$ 237,562
Plan fiduciary net position as a percentage of of the total pension liability	69.57%

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions:

Salary increases	Salaries are assumed to increase by an amount based on years of service.
General inflation	2%
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

Mortality rates were based on the Pri-2012 Mortality Table projected generationally from the central year using Scale MP-2020.

Change in Assumptions
The total pension liability reflects a decrease of approximately $24.9 million as a result of changes actuarial assumptions for the Plan year ended June 30, 2020. The mortality table was changed from the RP-2014 mortality table generationally projected with Scale MP-2018 to the Pri-2012 Mortality Table projected generationally from the central year using Scale MP-2020 to better reflect actual and future mortality experience.

Discount Rate
The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed the contributions from Plan members will be made at the current contribution rate and that contributions from PGW will be made based on the current, actuarially determined funding policy. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate remains the same as the prior valuation period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability. The net pension liability as of June 30, 2020 is calculated using the discount rate of 7.30%, as well as the Plan's net pension liability if it were calculated using a discount rate that is 1 % lower (6.30%) or 1% higher (8.30%) than the current rate (dollar amounts in thousands):

	1% Decrease 6.30%	Current Rate 7.30%	1% Increase 8.30%
Total Pension Liability	$869,083	780,792	707,156
Plan Fiduciary Net Position	543,230	543,230	543,230
Net Pension Liabiliry	325,853	237,562	163,926

Subsequent Events
The Plan has evaluated subsequent events occurring after the statement of fiduciary net position through the date of January 19, 2021 which is the date the financial statements were available to be issued.

Subsequent to the Plan's year-end, the Sinking Fund Commission voted to transition the Plan's custody banking service from Wells Fargo to US bank with a target date of November 1, 2020.

Management is currently evaluating the introduction of the COVID-19 virus to the United States during March 2020, and its impact on the Plan, and has concluded that while it is reasonably possible that the virus could have a negative effect on the Plan's net assets, and changes therein, the specific impact is not readily determinable as of the date the financial statements were available to be issued.

B. DISCRETELY PRESENTED COMPONENT UNITS

(1) Philadelphia Gas Works

a. Plan Description

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

b. Benefits Provided

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided

c. Employees Covered by Benefit Terms

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

d. Contributions

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided - Funding Policy and Employee Contributions

e. Net Pension Liability

PGW's net pension liability as of August 31, 2020 and 2019 was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and June 30, 2019, respectively.

The total pension liability was determined using the entry age normal actuarial method and the following actuarial assumptions:

	2020	2019
Inflation	2.00 %	2.00 %
Investment rate of return	7.30	7.30
Salary increases		
Years of service		
—	8.86	4.50
1	8.59	4.50
2	8.31	4.50
3	8.04	4.50
4	7.77	4.50
5	7.49	4.50
6	7.22	4.50
7	6.94	4.50
8	6.67	4.50
9	6.39	4.50
10	6.12	4.50
11	5.84	4.50
12	5.57	4.50
13	5.29	4.50
14	5.02	4.50
15	4.74	4.50
16	4.54	4.50
17	4.33	4.50
18	4.12	4.50
19	3.91	4.50
20 or more	3.71	4.50

Mortality rates. Mortality rates for FY 2019 were based on the RP-2014 mortality tables for males and females generationally projected with scale MP-2018. Mortality rates for FY 2020 were based on the Pri-2012 mortality tables projected generationally from the central year using Scale MP-2020. The mortality rates for FY 2020 were updated based upon the experience study using retirement rates for active and terminated vested participants from 2014 through 2019.

Long-term rate of return. The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for FY 2020 are summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity	35.0 %	55.0 %	45.0 %	8.7 %
International equity	10.0	30.0	20.0	8.8
Fixed income	25.0	45.0	35.0	5.0
Cash equivalents	—	10.0	—	
			100.0 %	

Discount rate. The discount rate used to measure the total pension liability at June 30, 2020 and 2019 was 7.3%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Company contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee contributions. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a)-(b)
Balances at September 1, 2019	$ 800,486	553,240	247,246
Changes for the year:			
Service cost	6,400	—	6,400
Interest	56,893	—	56,893
Differences between expected and actual experience	(3,034)	—	(3,034)
Contributions – employer	—	29,414	(29,414)
Contributions – employee	—	1,520	(1,520)
Net investment income	—	14,286	(14,286)
Benefit payments, including refunds of employee contributions	(55,061)	(55,061)	—
Administrative expenses	—	(168)	168
Change in assumptions	(24,891)	—	(24,891)
Net changes	(19,693)	(10,009)	(9,684)
Balances at August 31, 2020	$ 780,793	543,231	237,562

Changes in Net Pension Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a)-(b)
Balances at September 1, 2018	$ 804,507	543,246	261,261
Changes for the year:			
Service cost	6,554	—	6,554
Interest	57,241	—	57,241
Differences between expected and actual experience	(12,089)	—	(12,089)
Contributions – employer	—	28,570	(28,570)
Contributions – employee	—	1,249	(1,249)
Net investment income	—	34,260	(34,260)
Benefit payments, including refunds of employee contributions	(53,893)	(53,893)	—
Administrative expenses	—	(192)	192
Change in assumptions	(1,834)	—	(1,834)
Net changes	(4,021)	9,994	(14,015)
Balances at August 31, 2019	$ 800,486	553,240	247,246

Sensitivity of the net pension liability to changes in the discount rate:
The following table presents the net pension liability of the Company at June 30, 2020, calculated using the discount rate of 7.30%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.30%) or one-percentage point higher (8.30%) than the current rate:

		1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
		(Thousands of U.S. dollars)		
Net pension liability	$	325,853	237,562	163,926

Pension Plan fiduciary net position. Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report.

f. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended August 31, 2020 and 2019, the Company recognized pension expense of $19.5 million and $30.3 million, respectively. At August 31, 2020 and 2019, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (thousands of U.S. dollars):

		August 31, 2020		August 31, 2019	
		Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$	3,499	8,047	8,067	8,949
Changes of assumptions		—	20,100	—	5,039
Net difference between projected and actual earnings on pension plan investments		14,742	—	—	4,242
Contributions made after measurement date		6,167	—	6,354	—
Total	$	24,408	28,147	14,421	18,230

The $6.2 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2020 will be recognized as a reduction of the net pension liability in the Company's FY 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (thousands of U.S. dollars):

Fiscal year:		
2021	$	(9,086)
2022		(5,871)
2023		8
2024		5,043

g. Fair Value Measurements

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – d. Disclosures About Fair Value of Financial Instruments.

(2) School District of Philadelphia

a. Plan Description

Public School Employees' Retirement System (the System) is a governmental cost-sharing multiple-employer defined benefit plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSRS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

b. Benefits provided:

The System provides retirement and disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes- (1) Membership Class T-E (Class T-E) and (2) Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Code (Code) of multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and T-F members) or who has at least five years of credited services (ten years for Class T-E and T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

c. Contributions

Members Contributions:
Active members who joined prior to July 22, 1983, contribute at 5.25 % (Membership Class T-C) or at 6.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute at 6.25 % (Membership Class T-C) or 7.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50 % (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer's Contributions:
The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2020 was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District made a combined total of $361.0 million to PSERS and VOYA (the sponsor of the Defined Contribution vendor) for the year ended June 30, 2020.

Commonwealth Contributions:
The Commonwealth reimburses the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market/personal income aid ratio for Fiscal Year 2020 was 72.09%.

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

(a) At June 30, 2020, the District reported a liability of $3,571.5 million for its proportionate share of the net pension liability of which $3,518.2 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the System's total one-year reported covered payroll. At June 30, 2019, the District's proportion was 7.6342 percent, which was a decrease of .0709 percent from its proportion measured as of June 30, 2018.

(b) For the year ended June 30, 2020, the District recognized net pension expense of $30,686.1 thousand of which $30,228.7 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of $457.49 thousand was under the Business-type Activity section of the Government-wide Statements.

(c) At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pens

(Dollars in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual	$ 19,667.0	$ (118,375.0)
Change in assumption	34,142.0	-
Net difference between projected and actual investment earnings	-	(10,231.0)
Change in proportions	168,150.0	(33,910.0)
Difference between employer contributions and proportionate share of total contributions	-	(2,224.3)
Contributions subsequent to the measurement date	361,051.9	-
	$ 583,010.9	$ (164,740.3)

Deferred outflows of resources for contributions made subsequent to the measurement date was $361,051.9 thousand and will be recognized as a reduction of net pension liability/collective net pension liability in the subsequent fiscal period rather than in the current period.

The District recognized net deferred outflows of $57,218.7 thousand reported related to pensions in pension expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2020	$ 313,708.8	$ (231,088.1)	$ 82,620.7
2021	50,015.8	(37,368.4)	12,647.4
2022	(165,300.5)	120,948.2	(44,352.3)
2023	23,534.9	(17,232.0)	6,302.9
Total	$ 221,959.0	$ (164,740.3)	$ 57,218.7

Of the $57,218.7 thousand reported as net deferred outflows, $56,366.1 thousand was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at $827.9 thousand and $24.7 thousand, respectively.

Actuarial assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return - 7.25% includes inflation at 2.75%.
- Salary growth - Effective average of 5.00% comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	100.00%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 6.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

e. ***Sensitivity of the* District's *proportionate share of the net pension to changes in the discount rate*:**

The following presents the net liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percenage point higher (8.25%) than the current rate:

(Dollars in Thousands)

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	$4,448,668	$3,571,478	$2,828,713

f. ***Pension* plan *fiduciary net position:***

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. **SDP** employees have an unlimited maximum accumulation, and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 60% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

Plan description: The City of Philadelphia self-administers a single employer, defined benefit plan that provides OPEB for all eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided: The City of Philadelphia subsidizes health care for five years from the time of coverage election for eligible retirees. Certain union represented employees may defer their coverage until a later date, but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to $7,500 coverage and all other employees receive $6,000 in coverage. The plan does not issue stand-alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

Funding Policy: The City's funding policy is to pay the net expected benefits for the current retirees. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self-insured for non-union employees. The City's contributions are estimated to be about $104.6 million for fiscal year ending June 30, 2020.

Employees covered by benefit terms: At July 1, 2018, the following employees were covered by the benefit terms:

Medical Coverage:

Inactive employees or beneficiaries currently receiving medical coverage	3,572
DROPS w ith medical coverage	1,944
Inactive employees entitled to, but not yet receiving medical coverage	444
Active employees	28,845
Total	34,805

Life Insurance Coverage

Inactive employees or beneficiaries currently receiving life insurance coverag	27,798
Active employees	28,845
Total	56,643

Total OPEB Liability:
The City's total OPEB liability of $1,935,300,000 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions and other inputs.
The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Measurement Date: June 30, 2018 and June 30, 2019; Reporting dates June 30, 2019 and June 30, 2020.

Discount rate:

- 3.50% per annum for the valuation measured as of June 30, 2019
- 3.87% per annum for the valuation measured as of June 30, 2018

Salary Increase Rate:

Age	Municipal and Elected Officials	Uniformed
<20	20.00%	20.00%
20 - 24	18.00%	11.00%
25 - 29	10.00%	7.00%
30 - 34	7.00%	5.00%
35 - 39	5.75%	4.25%
40 - 44	5.00%	4.00%
45 - 49	4.60%	3.50%
50 - 54	4.35%	3.30%
55 - 59	4.10%	3.00%
60 - 64	3.85%	3.00%
65 +	3.50%	2.75%

Per Person Cost Trends:
The trend rates represent the annual rate of increase in employer claim payments, employer premiums (including those paid to union-sponsored plans), and retiree contributions.

To Year	Medical		Rx		Medical /Rx Combined	
Beginning July 1	Pre Medicare	Medicare Eligible	Pre Medicare	Medicare Eligible	Pre Medicare	Medicare Eligible
2019	8.00%	6.00%	9.00%	8.00%	8.20%	6.40%
2020	7.50%	5.75%	8.75%	7.75%	7.75%	6.15%
2021	7.00%	5.50%	8.50%	7.50%	7.30%	5.90%
2022	6.50%	5.25%	8.25%	7.25%	6.85%	5.65%
2023	6.28%	5.24%	7.74%	6.91%	6.57%	5.57%
2024	6.06%	5.23%	7.23%	6.56%	6.29%	5.49%
2025	5.84%	5.22%	6.72%	6.22%	6.02%	5.42%
2026	5.62%	5.21%	6.21%	5.87%	5.74%	5.34%
2027	5.40%	5.19%	5.69%	5.53%	5.46%	5.26%
2028	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2029	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2030	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2031	4.87%	4.87%	4.87%	4.87%	4.87%	4.87%
2032	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%
2033	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%
2034	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%
2035	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
2036	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%
2037	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%
2038	4.19%	4.19%	4.19%	4.19%	4.19%	4.19%
2039	4.06%	4.06%	4.06%	4.06%	4.06%	4.06%
2040 +	3.94%	3.94%	3.94%	3.94%	3.94%	3.94%

Dental and vision costs are assumed to increase at 3% per year.

Retirees Share of Benefit related costs:

Percent of Retirees Electing Coverage

Participation rate for medical coverage
- 85% of future retirees from Non-Represented groups are assumed to elect post-retirement medical covers.
- 100% of future retirees from represented groups (DC 33, DC 47, Fire, and Police) are assumed to elect post-retirement medical coverage.
- 100% of DROP participants are assumed to continue in DROP for the remainder of their DROP period (maximum four years) and then retire with a medical benefit.

Participation rate for life insurance
- 95% of current and future retired firefighters who participated in the pension plan are assumed to be covered by City-provided life insurance.
- 87% of all other current and future retired pension plan participants are assumed to be covered by City-provided life insurance.

Mortality Rates:
It is assumed deaths of active municipal and elected members, 110% and 115%, for males and females, respectively, follows RP-2014 Employee Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

It is assumed deaths of active uniformed members follow 85% of the RP-2014 Blue Collar Employee Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

For municipal and elected members, 127% and 119% for males and females, respectively, the rate of post-retirement and post-disability mortality follow RP-2014 Healthy Annuitant Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

For uniformed members, the rate of post-retirement and post-disability mortality follow 115% of the RP-2014 Blue Collar Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

For municipal and elected members, the rate of post-disability mortality follows 95% of the RP-2014 Disabled Retiree Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

For uniformed members, the rate of post-disability mortality follows 80% of the RP-2014 Disabled Retiree Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

Change in the Total OPEB Liability:
The table below shows the changes in the Total OPEB Liability (TOL), the plan fiduciary net position (i.e., the fair value of Plan assets) (FNP), and the Net OPEB Liability (NOL) during the measurement period ending on June 30, 2019.

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) - (b)**
Balances at 6/30/2018	$ 1,823,900,000	$ 0	$ 1,823,900,000
Changes for the year:			
Service cost	82,400,000		82,400,000
Interest	71,900,000		71,900,000
Changes of benefits	0		0
Differences between expected/actual	0		0
Changes of assumptions	54,000,000		54,000,000
Contributions - employer		96,900,000	(96,900,000)
Contributions - non employer		0	0
Contributions - member		0	0
Net investment income		0	0
Benefit payments	(96,900,000)	(96,900,000)	0
Administrative expense		0	0
Net changes	111,400,000	0	111,400,000
Balances at 6/30/2019	$ 1,935,300,000	$ 0	$ 1,935,300,000

During the measurement year, the NOL increased by approximately $111.4 million. The service cost and interest cost increased the NOL by approximately $154.3 million while contributions decreased the NOL by approximately $96.9 million. The employer contribution of $96.9 million is based on a blend of actual contributions provided by the City of Philadelphia and estimated contributions based on the prior report. Because a portion of the contribution is estimated, this was reviewed by the City for reasonability.

There were no material changes in benefits during the year. Because the beginning and ending values are based on the same valuation and there were no significant events, there were no liability gains or losses during the year due to experience.

There was an assumption change due to the change in the 20-year bond buyer index rate. The discount rate changed from 3.87% to 3.50% as of June 30, 2019, increasing the liability by $54.0 million.

There were no benefit changes during the measurement period.

Sensitivity of the total OPEB liability to changes in the discount rate:
The Following represents the total OPEB liability (TOL) of the City, as well as what the City's total liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate.

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL and higher discount rates produce a lower TOL. The table below shows the sensitivity of the NOL to the discount rate.

Sensitivity of Net OPEB Liability to Changes in Discount Rate						
		1% Decrease 2.50%		Discount Rate 3.50%		1% Increase 4.50%
Total OPEB Liability	$	2,091,100,000	$	1,935,300,000	$	1,793,400,000
Plan Fiduciary Net Position		-		-		-
Net OPEB Liability	$	2,091,100,000	$	1,935,300,000	$	1,793,400,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		0.0%		0.0%		0.0%

A one percent decrease in the discount rate increases the TOL and NOL by approximately 8%. A one percent increase in the discount rate decreases the TOL and NOL by approximately 7%.

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.
The Following represents the total OPEB liability of the City, as well as what the City's total liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Changes in healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the NOL to the healthcare trends.

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates						
		1% Decrease		Healthcare Trend		1% Increase
Total OPEB Liability	$	1,744,800,000	$	1,935,300,000	$	2,160,000,000
Plan Fiduciary Net Position		-		-		-
Net OPEB Liability	$	1,744,800,000	$	1,935,300,000	$	2,160,000,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		0.0%		0.0%		0.0%

A one percent decrease in the healthcare trends decreases the TOL and NOL by approximately 10%. A one percent increase in the healthcare trend rate increases the TOL and NOL by approximately 12%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2020, the City recognized OPEB expense of $135,100,000. The table below shows the development of OPEB expense.

Calculation of OPEB Expense		
Fiscal Year Ending **Measurement Year Ending**	**June 30, 2020** **June 30, 2019**	**June 30, 2019** **June 30, 2018**
Change in Net OPEB Liability	$ 111,400,000	$ (37,700,000)
Change in Deferred Outflows	(41,700,000)	(50,500,000)
Change in Deferred Inflows	(31,500,000)	116,300,000
Non Employer Contributions	-	
Employer Contributions	96,900,000	96,400,000
OPEB Expense	**$ 135,100,000**	**$ 124,500,000**
OPEB Expense as % of Payroll	**7.33%**	**6.90%**
Operating Expenses		
Service cost	$ 82,400,000	$ 81,800,000
Employee contributions	-	-
Administrative expenses	-	-
Total	$ 82,400,000	$ 81,800,000
Financing Expenses		
Interest cost	$ 71,900,000	$ 67,900,000
Expected return on assets	-	-
Total	$ 71,900,000	$ 67,900,000
Changes		
Benefit changes	$ 0	$ 0
Recognition of assumption changes	(25,500,000)	(31,500,000)
Recognition of liability gains and losses	6,300,000	6,300,000
Recognition of investment gains and losses	-	0
Total	$ (19,200,000)	$ (25,200,000)
OPEB Expense	**$ 135,100,000**	**$ 124,500,000**

At June 30, 2020, the City reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

Schedule of Deferred Inflows and Outflows of Resources as of June 30, 2020 Projected Fiscal Year End June 30, 2019 Measurement Date	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 44,200,000	$ 0
Changes in assumptions	48,000,000	175,300,000
Net difference between projected and actual earnings on OPEB plan investments	0	0
Contributions subsequent to the measurement date	(104,600,000)	0
Total	**$ (12,400,000)**	**$ 175,300,000**

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	(19,200,000)
2022	(19,200,000)
2023	(19,200,000)
2024	(19,100,000)
2025	(4,100,000)
Thereafter $	(2,300,000)

The subsequent contributions after the measurement date are reflected as a deferred outflow, but this is not subject to a deferred recognition period in the OPEB expense. Instead, this will be fully recognized in the OPEB expense for the Fiscal Year ending June 30, 2021.

Required Supplementary Information: The schedule below shows the changes in NOL and related ratios required by GASB.

Schedule of Changes in Net OPEB Liability and Related Ratios			
Measurement Year Ending	**6/30/2019**	**6/30/2018**	**6/30/2017**
Total OPEB Liability			
Service cost (BOY)	$ 82,400,000	$ 81,800,000	$ 89,300,000
Interest (includes interest on service cost)	71,900,000	67,900,000	56,100,000
Changes of benefit terms	0	0	0
Differences between expected and actual experience	0	56,800,000	0
Changes of assumptions	54,000,000	(147,800,000)	(105,600,000)
Benefit payments, including refunds of member contributions	(96,900,000)	(96,400,000)	(114,800,000)
Net change in total OPEB liability	**$ 111,400,000**	**$ (37,700,000)**	**$ (75,000,000)**
Total OPEB liability - beginning	**1,823,900,000**	**1,861,600,000**	**1,936,600,000**
Total OPEB liability - ending	**$ 1,935,300,000**	**$ 1,823,900,000**	**$ 1,861,600,000**
Plan fiduciary net position			
Contributions - employer	$ 96,900,000	$ 96,400,000	$ 114,800,000
Contributions - non-employer	-	-	-
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(96,900,000)	(96,400,000)	(114,800,000)
Administrative expense	-	-	-
Net change in plan fiduciary net position	$ -	$ -	$ -
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending	$ -	$ -	$ -
Net OPEB liability - ending	**$ 1,935,300,000**	**$ 1,823,900,000**	**$ 1,861,600,000**
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	$ 1,842,600,000	$ 1,805,400,000	$ 1,744,700,000
Net OPEB liability as a percentage of covered payroll	105.03%	101.02%	106.70%

The Plan is not currently being pre-funded and so there is no actuarially determined contribution shown below. The actuarially determined contribution is a target or recommended contribution to the OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contributions for the reporting period was adopted. The Actuarial Required Contribution (ARC) determined under GASB 45 is not a recommended contribution under Actuarial Standards of Practice, and thus is not shown below. If the Plan decides to pre-fund the liabilities, we will provide an appropriate actuarially determined contribution.

B. COMPONENT UNITS

1) School District of Philadelphia (SDP) OPEB

The Governmental Accounting Standards Board (GASB) released new accounting standards for public postemployment benefits other than pension (OPEB). The new standards have substantially revised the accounting requirements previously mandated under GASB Statements (GASBS) No. 43 and 45. The most notable change is the elimination of the Annual Required Contribution (ARC) with the Net OPEB liability (Total OPEB liability for unfunded plans), to be recognized on the balance sheets of participating employers. GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning June 15, 2017.

Life Insurance Benefits

Plan Description:

The **SDP** provides up to $2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or aged 62 with 10 years of service or 35 years of service regardless of age. Effective

November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. An unaudited copy of the single-employer life insurance benefit plan can be obtained by writing to School District of Philadelphia, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees.

The numbers of eligible participants enrolled to receive such benefits as of June 30, 2018, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

	Number of Employees
Active	14,124
Retirees	10,352
Total	24,476

Total OPEB Life Insurance liability:

At June 30, 2019, the District reported a liability of $16.9 million for the total OPEB Life Insurance liability, all of which was under the Governmental Activity section of the Government-wide Statements. For the June 30, 2020 reporting date (which is the plan's and/or employer's fiscal year ending date), the "Valuation Date is June 30, 2019." This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2019. This is the date as of which the total OPEB Life Insurance liability was determined.

Our actuary determined the total OPEB Life Insurance liability for the fiscal year ending June 30, 2019 by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below and then was projected forward to the measurement date, if applicable. Covered payroll equals the annualized base pay for active members as of the valuation date.

Actuarial Methods and Assumptions:

Discount Rate: 3.87 % per annum as of June 30, 2018 to 3.50% as of June 30, 2019 (Bond Buyer General Obligation 20 year-Tax Exempt Municipal Bond Index, selected by the District).

Salary Increases: 3.00 % per year (based on input from District)

Mortality: RPH-2006 Mortality Tables with white-collar adjustments, projected on a generational basis with Scale MP-2017, with employee rates before retirement and healthy annuitant rates after retirement. As a generational table, it reflects mortality improvements both before and after the measurement date. This industry standard table published by the Society of Actuaries (SOA) was selected based on the population covered and the recent SOA exposure draft on public plan mortality experience.

Termination: Withdrawal rates vary by age and years of service. Illustrative rates are shown below:

If less than 5 Years of Service		If 5 or more Years of Service	
Years of Service	Rate	Age	Rate
<1	24.49%	25	24.75%
1 - 2	25.23%	30	18.01%
2 - 3	16.54%	35	10.98%
3 - 4	14.07%	40	7.91%
4 - 5	10.88%	45	6.71%
		50	4.03%
		55	3.81%
		60	6.40%

Retirement: Retirement rates are the rates utilized in the June 30, 2017 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Sample rates are shown below.

Sample Early Retirement Rates

Age	Male	Female
55	18.57%	18.59%
60	14.42%	17.05%

Sample Superannuation Retirement Rates

Age	Male	Female
55	26.59%	10.02%
60	30.87%	35.77%
65	21.39%	22.23%
74	100.00%	100.00%

Disability: None assumed.

Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death.

Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of June 30, 2019 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.
Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.

Special Data Adjustments: PSERS membership class was determined based on the provided date of hire with the District. Service was determined as the elapsed time from the provided date of hire with the District until the date of determination.

Actuarial Cost Method:
In accordance with GASBS No. 75, the Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay.

Changes since Prior Valuation:
The discount rate has been changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

Total OPEB Life Insurance Liability

Most Recent Measurement Date	Total OPEB Life Insurance Liability	Active Covered Payroll	Total OPEB Life Insurance Liability as a percentage of covered payroll
6/30/2019	$16,870,466	$792,975,829	2.12749%

Other Postemployment Benefits (OPEB) Life Insurance Benefits Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Changes in the Total OPEB Life Insurance Liability:

		Increase (Decrease) Total OPEB Life Insurance Liability
Total OPEB Life Insurance Benefit Liability as of July 1, 2019	$	15,917,810
Changes for the year (2019-2020):		
Service Cost		80,443
Interest on total OPEB Life insurance Liability		610,290
Effect of Assumption changes or inputs		723,274
Benefit Payments		(461,351)
Total OPEB Life Insurance Benefit Liability as of June 30, 2020	$	16,870,466

Sensitivity of the District's Total OPEB Life Insurance Liability to changes in the discount rate:

The following presents the total liability, calculated using the discount rate of 3.50%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate:

2018-2019 Measurement Period
(Dollars in Thousands)

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
District's total OPEB Life Insurance Liability	19,147	16,870	15,038

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	(Dollar in Thousands)			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
Contributions subsequent to the measurement date	$	414.0	$	-
Effect of liability gains or losses		-		(20.1)
Effect of assumptions changes or inputs		562.5		(802.3)
	$	976.5	$	(822.4)

Deferred outflows of resources for contributions made subsequent to the measurement date was $0.4 million and will be recognized as a reduction of total OPEB liability in the next fiscal period rather than in the current period.

OPEB Expense and Deferred Inflows of Resources Related to OPEB Life Insurance:

- For the year ended June 30, 2020, the District recognized net OPEB expense of $344.9 thousand of which all under the Governmental Activity section of the Government-wide Statements.

- The $259.9 thousand reported as deferred inflows was under the Governmental-Activities column of the Government-wide statements. Amounts currently reported as deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Inflows of Resources	Deferred Outflows of Resources	Net Deferred Outflows of Resources
2020	$ (506.5)	$ 160.7	$ (345.8)
2021	(247.6)	160.7	(86.9)
2022	(68.3)	160.7	92.4
2023	-	80.4	80.4
Thereafter	-	-	-
	$ (822.4)	$ 562.5	$ (259.9)

PSERS Other Postemployment Benefits
Other Postemployment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

- At June 30, 2020, the District reported a liability of $162.4 million for its proportionate share of the net OPEB liability of which $159.8 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 7.6342 percent, which was a decrease of 0.0709 percent from its proportion measured as of June 30, 2019.

- For the year ended June 30, 2020, the District recognized net OPEB expense of $1,061.8 thousand of which $1,045.3 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of $16.5 thousand was under the Business-type Activity section of the Government-wide Statements.

- At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Dollars in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 913.0	$ (26.6)
Change in assumption	5,380.0	(4,825.0)
Net difference between projected and actual investment earnings	273.0	-
Change in proportions	11,109.0	(1,285.0)
Difference between employer contributions and proportionate share of total contributions	4.6	-
Contributions subsequent to the measurement date	9,077.3	-
	$ 26,756.9	$ (6,136.6)

Deferred outflows of resources for contributions made subsequent to the measurement date was $9.1 million and will be recognized as a reduction of net OPEB liability in the next fiscal period rather than in the current period. The District recognized $11.5 million as deferred outflows of resources and deferred inflows of resources related to OPEB which will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2020	$ 3,426.1	$ (1,187.9)	$ 2,238.2
2021	3,428.1	(1,188.9)	2,239.2
2022	3,363.1	(1,166.9)	2,196.2
2023	3,307.0	(1,146.9)	2,160.1
2024	3,626.1	(1,258.9)	2,367.2
Thereafter	529.2	(187.1)	342.1
Total	$ 17,679.6	$(6,136.6)	$ 11,543.0

Of the $11,543.0 thousands reported as net deferred outflows, $11,363.60 thousand was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at $175.4 thousand and $4.0 thousand respectively.

Actuarial assumptions: The total OPEB liability as of June 30, 2019 was determined by rolling forward the System's total OPEB liability as of June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return from 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, which comprised of inflation of 2.75% and 2.25% for real wage growth, and for merit or seniority increases.
- Premium Assistance reimbursement is capped at $1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
    - Eligible retirees will elect to participate Pre age 65 at 50%
    - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments: Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Healthcare Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	13.2%	0.2%
US Core-Fixed Income	83.1%	1.0%
Non-US Developed fixed	3.7%	0.0%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount rate: The discount rate used to measure the total OPEB liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to change in healthcare cost trend rates:

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. As of June 2019, 93,339 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of $1,200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2019 as it relates to the District's proportionate share, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	(Dollars in Thousands)		
	1% Decrease	Current Healthcare Cost Trend	1% Increase
System net OPEB Liability	162,342	162,367	162,388

Sensitivity of the District's proportionate share of the net pension to changes in the discount rate:

The following presents the net liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage point higher (3.79%) than the current rate:

(Dollars in Thousands)

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	184,972	162,367	143,634

OPEB plan fiduciary net position:

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

2) Philadelphia Gas Works (PGW) OPEB

Plan Description:
PGW sponsors a single-employer defined-benefit healthcare plan and provided postemployment healthcare and life insurance benefits to retirees and their beneficiaries and dependents in FY 2020 and FY 2019, respectively, in accordance with their retiree medical program.

The OPEB Plan comprises (1) the PGW OPEB Trust (the Trust), which is used to receive, hold, and disburse assets accumulated to pay for some of the postemployment benefits other than pensions provided by PGW to its eligible retired employees and other eligible beneficiaries and (2) OPEB expenses paid for directly by PGW out of its general resources rather than through the Trust. The Trust was established for the exclusive benefit of PGW's retired employees and other eligible beneficiaries designated under the plan. Management believes that the OPEB Plan is in compliance with all applicable laws.

Benefits Provided
Medical Benefits: For pre-65 retirees, a choice of medical plans is offered through Independence Blue Cross including Personal Choice, Blue Cross Blue Shield with Major Medical, or Keystone HMO's. Employees who retire after December 1, 2001 are provided the Keystone 5 Plan at PGW's expense and they can buy up to a more expensive plan. Employees who retire on or after September 1, 2007 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Union employees who retire after August 31, 2011 are provided the Keystone 15 Plan at PGW's expense and can buy up to a more expensive plan. Management employees who retire after August 31, 2011 continue to receive the Keystone 10 as the base plan and can buy up to a more expensive plan.

Reinsurance provides specific stop-loss coverage of $0.3 million on pre-65 Medical and Prescription Drug claims.

Eligible pre-65 retirees who relocate outside of the Keystone coverage area may elect to participate in the PGW Retiree Health Reimbursement Arrangement (HRA). Under the HRA, the Keystone base plan premium-equivalent will be credited to a participant's HRA account and will be available to reimburse the participant for eligible medical insurance premiums.

Medicare eligible retirees are provided a fully insured Medicare Supplement Plan through Independence Blue Cross.

Opt-out benefits of $1,500 per year for single coverage and $3,000 per year for married coverage are available to eligible retirees. This benefit is not available to a married couple who both retired from PGW and who are eligible for Medicare benefits. Retirees can maintain prescription drug and dental coverage even if they opt out of medical coverage.

Prescription Drug Benefits: Employees who retired on or after April 15, 1976 and prior to December 1, 2001, are offered a Prescription Drug Plan that has been established specifically for retirees and is separate from the plan that is offered to active employees. The retiree Prescription plan consists of a $2 copay for generic drugs, a $2 copay for brand name drugs when no generic drugs are available, and a $15 copay for brand name drugs when generic drugs are available. There are no deductibles and no lifetime maximums. Employees who retired prior to

April 15, 1976 or on or after December 1, 2001 but before September 1, 2007 have a $5 copay for generics and a $10 copay for brand drugs. Employees who retire on or after September 1, 2007 have a $5 copay for generics and a $15 copay for brand drugs.

Effective, January 1, 2012, PGW moved Medicare eligible retirees into an Employee Group Waiver Plan arrangement. Covered drugs and copays remain the same. Prescription drug benefits are self-funded for all retirees.

Dental Benefits: For employees who retired after April 15, 1978, a basic dental plan is offered at no cost to the retiree. For employees who retired after June 1, 1984, an enhanced dental plan is offered. For eligible retirees who enroll in the enhanced dental plan, the retiree must pay the difference between the basic and enhanced plans. The dental plans were fully insured through August 31, 2016. Effective September 1, 2016, the dental benefits are self-funded.

Death Benefits: Nonunion employees are offered voluntary life insurance equal to two times their salary at retirement. At age 65, the life insurance benefit decreases by 5.0% per year for 15 years until the benefit equals 25.0% of the original life insurance benefit at age 65. PGW pays the cost of the first $75,000 of coverage. Retirees in this category pay $0.35 per $1,000 per month for coverage in excess of $75,000.

Union employees are offered voluntary life insurance equal to one times their salary at retirement. At retirement, the life insurance benefit decreases by 10.0% per year for 5 years until the benefit equals 50.0% of the original life insurance benefit at retirement. Retirees in this category pay $0.35 per $1,000 of coverage per month, PGW pays the balance.

Upon the death of an active employee prior to satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive 2 years of health coverage paid by PGW. Upon the death of an active employee on or after satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive health coverage for life (or for 5 years if hired on or after May 21, 2011 if Union or hired on or after December 21, 2011 if Nonunion) paid by PGW.

Contributions
The OPEB Plan pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided the Keystone 5/Keystone 10/Keystone 15 plan at PGW's expense and can buy up to a more expensive plan. Retirees also contribute toward enhanced dental plan and life insurance coverage as described above. PGW pays 100.0% of the cost for the prescription drug plan after drug copays.

Participants Covered
At December 31, 2019, the date of the latest actuarial valuation, the OPEB Plan's combined membership consisted of the following:

	Number
Retirees	1,455
Beneficiaries	408
Active employees – Union	1,144
Active employees – Management	527
Total number of participants	3,534

Contributions to the OPEB Plan are the amounts received (additions) from PGW as sponsor of the Plan. These contributions include both amounts paid by PGW out of general resources to fund benefits on a pay-as-you-go basis, and contributions related to rate surcharges approved by the PUC in May 2010 and continued in July 2015. For the OPEB Plan year ended December 31, 2019, PGW contributed $28.8 million on a pay-as-you-go basis, $16.0 million resulting from rate surcharges, and $2.5 million of its resources. For the OPEB Plan year ended December 31, 2018, PGW contributed $28.7million on a pay-as-you-go basis, $16.0 million resulting from rate surcharges, and $2.5 million of its resources.

Net OPEB Liability

The Company's net OPEB liability as of August 31, 2020 and 2019 was measured as of December 31, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019 and 2018, respectively. The September 1, 2018 actuarial valuation was rolled forward to the December 31, 2018 measurement date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as actual amounts are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the entry age normal actuarial method and the following actuarial assumptions used to value the postemployment medical liabilities can be categorized into the following three groups:

- Benefit assumptions: the initial per capita cost rates for medical coverage, and the face amount of employer-paid life insurance.
- Demographic assumptions: including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates) and coverage levels.
- The demographic assumptions were updated based upon the 2019 experience study data from 2015 through 2018.
- Economic assumptions: the discount rate and health care cost trend rates.

Benefit Assumptions:

Per capita claims: Using actuarial standards, specifically ASOP6, the annual age specific per capita claims cost rates were projected at the following assumed trend rates for future years (whole U.S. dollars):

Age	Medical: Existing retirees and dependents	Medical: Future retirees and dependents	Prescription drug
<50	$ 7,196	7,174	2,382
50–54	8,200	8,176	2,768
55–59	10,008	9,978	3,497
60–64	12,323	12,286	4,271
65–69	2,475	2,421	4,107
70–74	2,386	2,334	4,883
75–79	2,536	2,481	5,226
80–84	2,829	2,767	5,278
85+	3,086	3,019	5,099

Life insurance: The claims cost for life insurance is based on the actuarial present value of projected life insurance claims increased by 15.0% to reflect the cost of the insurance funding vehicle.

Morbidity: The below healthcare cost for prescription drug coverage and pre-65 medical coverage reflects the following changes due to increased usage as a result of aging:

Age	Medical	Prescription Drug
50–54	4.20 %	5.10 %
55–59	4.00	4.20
60–64	4.60	4.30
65–69	(2.20)	5.10
70–74	0.90	1.90
75–79	1.90	0.50
80–84	3.00	(1.30)
85+	—	—

Demographic assumptions:
Mortality rates: Mortality rates for FY 2019 were based on the sex-distinct RP-2014 Employee Healthy Annuitant and Disabled Retiree Mortality tables (head-count weighted) projection with scale MP-2018. Mortality rates for FY 2020 were based on the Public Pension General (PUB-G) Employee Healthy Annuitant and Disabled Retiree Mortality tables (head-count weighted) projection with scale MP-2019.

Retirement rates: Retirement rates applicable once an employee is eligible for retirement benefits vary by age and service with rates as follows:

Age	Service less than 30–years	Service at least 30–years
55–60	10.0 %	15.0 %
61	10.0	30.0
62–64	25.0	50.0
65–69	50.0	50.0
70+	100.0	100.0

Withdrawal rates: Turnover rates applicable before an employee is eligible for retirement benefits vary by age and service with illustrative rates as follows:

	Years of service					
Age	0	1	2	3	4	5
20	23.20 %	17.40 %	14.40 %	11.60 %	8.80 %	5.80 %
25	18.80	14.00	11.80	9.40	7.00	4.60
30	14.80	11.00	9.20	7.40	5.60	3.60
35	11.20	8.40	7.00	5.60	4.20	2.80
40	8.80	6.60	5.60	4.40	3.40	2.20
45	7.20	5.40	4.60	3.60	2.80	1.80
50	5.20	3.80	3.20	2.60	2.00	1.20
55	—	—	—	—	—	—

Salary increases: 4/5%

Participation Rate: Participation assumes 100% of future retirees who meet the eligibility requirements will participate in the postemployment welfare upon retirement.

Disability rates: Disability rates vary by age with illustrative rates as follows:

Age	Percent Expected to Become Disabled In the Next Year
30	0.06%
35	0.07%
40	0.11%
45	0.22%
50	0.46%
55	1.02%
60	1.62%

Economic assumptions:
Long-term rate of return: The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. The target allocation for each major asset class as of December 31, 2019 is summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity large cap	27.5 %	37.5 %	32.5 %	8.2 %
Domestic equity small cap	10.0	15.0	12.5	7.9
Emerging market equity	5.0	10.0	7.5	11.2
International equity	15.0	20.0	17.5	8.5
Fixed income	20.0	40.0	30.0	3.2
Commodities/Real Assets	—	10.0	—	—
Cash equivalents	—	5.0	—	—
			100.0 %	

Healthcare cost trend:

Fiscal year beginning (January 1)	Healthcare cost trend rates Medical (pre-65)	Medical (post-65)	Prescription Drugs	Dental
2020	5.5 %	4.5 %	7.0 %	4.0 %
2021	5.0	4.5	6.5	4.0
2022	4.5	4.5	6.0	4.0
2023	4.5	4.5	5.5	4.0
2024	4.5	4.5	5.0	4.0
2025+	4.5	4.5	4.5	4.0

Discount rate: The discount rate used for determining the Total OPEB Liability is the long-term expected rate of return on plan investments of 7.30% as of December 31, 2019, December 31, 2018, and December 31, 2017, which represents the long-term expected rate of return on Plan investments at the applicable measurement date.

Changes in Net OPEB Liability

(Thousands of U.S. dollars)

	Increase (decrease) Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at September 1, 2019	$ 520,533	184,454	336,079
Changes for the year:			
Service cost	5,867	—	5,867
Interest	37,374	—	37,374
Differences between expected and actual experience	(16,787)	—	(16,787)
Assumption changes	(24,572)	—	(24,572)
Benefit Payments	(28,845)	—	(28,845)
Contributions-employer	—	47,345	(47,345)
Project investment return on year	—	14,139	(14,139)
Plan asset gain/(loss)	—	28,305	(28,305)
Benefit payments	—	(28,845)	28,845
Administrative expenses and bank fees	—	(37)	37
Net changes	(26,963)	60,907	(87,870)
Balances at August 31, 2020	$ 493,570	245,361	248,209

Changes in Net OPEB Liability

(Thousands of U.S. dollars)

		Increase (decrease)		
		Total OPEB liability (a)	**Plan fiduciary net position (b)**	**Net OPEB liability (a)-(b)**
Balances at September 1, 2018	$	559,631	180,743	378,888
Changes for the year:				
Service cost		6,268	—	6,268
Interest		40,262	—	40,262
Differences between expected			—	—
and actual experience		(64,606)	—	(64,606)
Assumption changes		7,707	—	7,707
Benefit Payments		(28,729)	—	(28,729)
Contributions-employer		—	47,229	(47,229)
Project investment return on year		—	13,868	(13,868)
Plan asset gain/(loss)		—	(28,622)	28,622
Benefit payments		—	(28,729)	28,729
Administrative expenses and bank fees		—	(35)	35
Net changes		(39,098)	3,711	(42,809)
Balances at August 31, 2019	$	520,533	184,454	336,079

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB liability of the Company, as well as what the Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

		1% Decrease 6.30 %	**Current discount rate 7.30 %**	**1% Increase 8.30 %**
			(Thousands of U.S. dollars)	
Net OPEB liability	$	309,766	248,209	197,259

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB liability of the Company, as well as what the Total OPEB liability would be if it were calculated using healthcare cost trend rates are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease	**Current healthcare cost trend rates**	**1% Increase**
			(Thousands of U.S. dollars)	
Net OPEB liability	$	197,715	248,209	309,704

OPEB Plan's fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPEB Plan financial report. Requests for additional information should be addressed to the Administrator – PGW OPEB Trust, 800 W. Montgomery Avenue, Philadelphia PA 19122.

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

For the years ended August 31, 2020 and 2019, the Company recognized OPEB expense of $10.9 million and $28.4 million, respectively. At August 31, 2020 and 2019, the Company reported deferred outflows of resources and deferred inflow of resources related to other postemployment benefits from the following sources (thousands of U.S. dollars):

		August 31, 2020		August 31, 2019	
		Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$	—	60,526	—	67,281
Changes of assumptions		29,177	20,954	42,995	2,593
Net difference between projected and actual earnings on OPEB plan investments		—	10,043	15,919	—
Contributions made after measurement date		32,021	—	32,262	—
Total	$	61,198	91,523	91,176	69,874

The $32.0 million and $32.3 reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2019 and 2018, respectively, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal periods. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows (thousands of U.S. dollars):

Fiscal year:		
2021	$	(18,278)
2022		(10,548)
2023		(19,588)
2024		(13,932)

Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 2019, (thousands of U.S. Dollars):

		Level 1	Level 2	Level 3	Total
Bond mutual funds	$	233,857	—	—	233,857
U.S. government securities		11,406	—	—	11,406
	$	245,263	—	—	245,263

All investments of the OPEB Plan at December 31, 2018 are publicly traded mutual funds categorized in Level 1 of the fair value hierarchy.

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

PICA, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non-voting members. The Governor of Pennsylvania, the President Pro Tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member to the Board.

The Act provides that, upon **PICA's** approval of a request of the City to **PICA** for financial assistance, **PICA** shall have certain financial and oversight functions. First, **PICA** shall have the power to issue bonds and grant or lend the proceeds thereof to the City. Second, **PICA** also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City and to certify noncompliance by the City with its current five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth of Pennsylvania to cause certain Commonwealth payments due to the City to be withheld).

PICA bonds are payable from the proceeds of a **PICA** tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the **PICA** tax so that the total tax remains the same. **PICA** returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2020 this transfer amounted to $496.0 million.

5. RELATED PARTY TRANSACTIONS

The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of $86.29 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments which totaled $108.97 million during the year to the following organizations:

- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund for Philadelphia Incorporated

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Workers' Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, its city-administered health plan, the International Association of Fire Fighters and District Council 47.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claim expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was $391.8 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, 2018 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims & Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2018	365.1	199.3	(211.4)	353.0
Fiscal 2019	353.0	207.9	(217.0)	343.9
Fiscal 2020	343.9	271.9	(224.1)	391.8

The City's Unemployment Compensation and Workers' Compensation coverage are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverage are funded by a pro rata charge to the various funds. Payments for the year were $3.07 million for Unemployment Compensation claims and $71.36 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $267.9 million discounted at 3.5%. On an undiscounted basis, these liabilities total $352.8 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 $245.4 million (discounted) and $325.3 million (undiscounted).

During the last five (5) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

B. COMPONENT UNITS

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. As previously noted, the School District is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness), and employee medical benefits.

The School District maintains property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of $0.5 million except for losses incurred from windstorm, fire, flood and earthquake which have a deductible of $1.0 million and a limit of $250.0 million per occurrence with certain sub-limits as specified in the policy terms. Also, certain insurance coverages including Accident, Foreign Package Excess Workers' Compensation, Student Professional Liability and Employee Performance bonds are obtained.

The School District reported the long-term portion of its risk management obligations totaling $126.3 million in the district-wide Statement of Net Position. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a pro rata charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and when the amount of the loss can be reasonably estimated. Losses include an estimate of claims that have been incurred but not reported, the effects of specific incremental claims adjustment expenditures, salvage and subrogation, and unallocated claims adjustment expenditures. At June 30, 2020, the amount of these liabilities totaled $126.3.0 million.

Additionally, **PGW** and **PPA** are self-insured for various risks.

At June 30, 2020, the amount of these liabilities totaled $136.5 million, which includes, $126.3 million for **SDP**, $9.4 million for **PGW**, and $0.8 million for **PPA**.

Changes in the balances of claims and liabilities during the past two (2) years are as follows:

(Amounts in Millions)

Fiscal Year	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
2020	$ 134.4	$ 208.2	$ (206.0)	$ 136.5
2019	$ 135.9	$ 224.3	$ (225.8)	$ 134.4

7. COMMITMENTS

A. PRIMARY GOVERNMENT

Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amounts of open encumbrances for both, the current and prior fiscal years, were as follows:

(Amounts in Thousands of USD)

Fund	Amounts
General Fund	338,223
Grants Revenue Fund	258,712
Community Behavioral Health Fund	118,255
Water Enterprise Fund	655,180
Aviation Enterprise Fund	179,095
Non-Major Governmental Funds	372,357
Total	1,921,821

B. COMPONENT UNITS

SDP
Capital Projects Fund Construction and Equipment Purchase Commitments:

Capital Projects Fund Construction and Equipment Purchase Commitments

The School District's outstanding contractual commitments at June 30, 2020 are summarized as follows:

New Construction and Land	$	971,050
Environmental Management		450
Alterations and Improvements		5,106,754
Major Renovations		433,313
Total	$	6,511,567

Operating Fund Services and Supplies Commitments
Outstanding contractual commitments in the School District's operating funds at June 30, 2020 are as follows:

	General Fund	Intermediate Unit Fund
Services and Supplies	$ 6,653,286	$ 502,258

Categorical Fund Commitments
Categorical Funds encumbrances totaled $11.3 million at June 30, 2020.

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 $371.6 million. Of this amount, $32.0 million is charged to the current operations of the Enterprise Funds. The remaining $339.6 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City, for which a loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimate of the amount of loss from these lawsuits in which some amount of loss is reasonably possible is approximately $64.8 million from the General Fund, $2.6 million from the Water Fund, and $3.1 million from the Aviation Fund. This represents the best estimate of the entire current inventory of such litigation and pre-suits as of February 12, 2021.

Significant cases included in the current litigation against the City are as follows:

2018 Tax Reassessment Cases

- On September 14, 2017, the first plaintiffs filed suit in the Court of Common Pleas of Philadelphia County, alleging the 2018 property tax reassessment performed by the City's Office of Property Assessment (the "OPA") violated the Uniformity Clause of the Pennsylvania Constitution, and the statutes controlling assessments in Pennsylvania and first-class counties, seeking the reduction of their 2018 tax bills to levels based on 2017 values. Plaintiffs allege, following a countywide property tax reassessment for tax year 2014, the City made no subsequent reassessments until tax year 2018 when it reassessed only commercial, but not residential, properties. Plaintiffs claim, such disparate treatment of different categories of real property violates the state constitution's Uniformity Clause, and thus is null and void. Plaintiffs sought declaratory relief, an injunction forbidding the collection of taxes based on the allegedly unconstitutional valuations, and an order directing the OPA to "recertify" Plaintiffs' properties at their 2017 values.

All of the cases, which in total encompass over 500 plaintiffs, were consolidated for management purposes. The School District of Philadelphia, which receives a portion of the City's real estate tax revenues and all of a separate Use and Occupancy Tax which is also based upon OPA assessment values, was added as a defendant to the lawsuits. The City filed preliminary objections contesting the legal sufficiency of the claims, as well as the failure of the plaintiffs to appeal their assessments to the Board of Revision of Taxes (the "BRT"), the administrative agency statutorily designated to hear assessment appeals, and to appeal any decision adverse to them through the Local Agency Law process. The Court overruled those preliminary objections but dismissed mandamus claims and claims against individual defendants. The City filed Answers with New Matter to each complaint.

The cases were tried in the Philadelphia Court of Common Pleas in early June 2019. On July 18, 2019, the Court issued a Decree and Findings of Fact and Conclusions of Law determining that the assessments at issue were unconstitutional and that the real estate property taxes for Tax Year 2018 for the properties at issue in the litigation shall be reset to the assessments for those properties for tax year 2017.

The real estate tax revenue associated with the increase of taxable assessed values for the properties in question currently exceeds $36 million, with approximately 55% allocated to the School District and 45% to the City, not including the separate Use and Occupancy tax revenue for the School District. The City filed post-trial motions challenging the Court's determination. On September 25, 2019, the Court issued its Opinion and Order effectuating the decision discussed above. The City has appealed. The City is now attempting to consolidate these cases in Commonwealth Court.

Liberty Resources v. City

- Two organizations and four disabled persons filed a class action complaint in Federal Court in late August 2019 alleging various violations of the Americans with Disabilities Act and other federal laws. The allegations include failures by the City to meet provisions of the laws related to the conditions of crosswalks and sidewalks in the City of Philadelphia. The plaintiffs are represented by a national legal advocacy organization, Disability Rights Advocates, and experienced local counsel.

On July 7, 2020, the Court granted the City's partial motion to dismiss as well as the plaintiffs' motion for class certification on the remaining claims. The Court's decision on the dismissal motion significantly narrowed the claims against the City and its potential liability, but several significant claims remain. The City filed its Answer to the Plaintiffs' Complaint on August 18, 2020, and the case has proceeded through discovery, with expert reports due soon. Should the case proceed as far as trial, the City could potentially face a verdict substantially in excess of $8 million.

Henderson Inverse Condemnation

- In early September 2016, a Petition for the Appointment of a Board of View pursuant to the Pennsylvania Eminent Domain Code 26 Pa. C. Section 502(c) was filed in Delaware County, Pennsylvania, against the City by numerous Henderson related entities and trusts (the "Hendersons"). The Petition alleged that the City effected a de facto taking of the Hendersons properties (the "Property"), which Property is proximate to the Philadelphia International Airport and located in Tinicum Township, Delaware County. The City desired to acquire the Property for Airport purposes and had numerous discussions with representatives for the Hendersons over time.

The City filed Preliminary Objections to the Petition and there was a hearing on the Petition and the Preliminary Objections scheduled for January 2018. Prior to the hearing, the City filed its own Declaration of Taking in September 2017 and made an offer of just compensation. The City and the Hendersons then settled the foregoing matters. The City obtained possession of the Property and paid the Hendersons estimated just compensation of $54.5 million. The Hendersons' de facto taking case was dismissed with prejudice.

The Board of View which was appointed by the Court of Common Pleas in Delaware County (the "Court") issued its Report, which was filed on October 19, 2020, awarding damages to the Hendersons in the amount of $139,120,000 as "just compensation" for the taking of the Property. The amount of $54,500,000 referenced above is to be deducted from this amount. The City has filed an appeal to the damage award to the Court raising objections, as a matter of law, to the Report. The Court will decide whether to modify and change the Report, refer it back to the same or a new board of viewers, or deny the City's request. If the request is denied, there will be a trial de novo in the Court. The City is represented by outside counsel.

Fraternal Order of Police, Lodge 5 (Deplorable Conditions) v. City of Philadelphia

- The FOP filed a grievance alleging that the City violated their union labor contract's human dignity clause based on the condition of all police facilities and sought extensive remedies. Following a lengthy arbitration, an interim award was issued on April 26, 2013. Pursuant to the terms of that award, the arbitrator found that the City had violated the contract but ordered only that the parties meet on a monthly basis to identify and prioritize issues, work out budgets, and work through the issues identified by the union. In July of 2018, the FOP requested hearings before the arbitrator regarding the conditions of the police facilities, but no dates were set, and there has not been any activity on this matter since July of 2018. Although the union has not specified its concerns, the City's attorneys believe that the union wishes the arbitrator to force the City to significantly renovate or replace existing facilities. The City's attorneys are unable in their professional judgment to evaluate the likely cost of an unfavorable outcome but estimate that if renovations such as the union has previously sought were necessary, it could cost the city more than $8 million. City attorneys believe the probability of such an award being issued to be highly unlikely and would contest any such award vigorously through available appellate options. There has been no communication on this matter for two years (last communication was in July of 2018).

James Dennis v. City of Philadelphia

- Mr. Dennis has filed suit in federal court alleging that he was wrongfully incarcerated for 25 years due to the withholding and fabrication of evidence by the Philadelphia Police Department. Mr. Dennis received a new trial after his conviction, but in 2016 pled no contest to murder rather than going to trial again. This case has been stayed pending an appeal. Mr. Dennis is represented by an experienced civil rights attorney, and if liability is established, the City could potentially face an $8 million verdict.

Simmons v. City of Philadelphia, No. 19-1648

- Plaintiff alleges that he was wrongfully convicted and imprisoned for almost ten years because detectives fabricated evidence against him. Plaintiff has made a $15 million demand, and the case is in suspense pending a related criminal trial.

Frazier v. City of Philadelphia, No. 19-1692

- Plaintiff alleges that he was wrongfully convicted and imprisoned for seven years due to misconduct of a former Philadelphia police detective. The case is in suspense pending related criminal charge cases.

Johnny Berry v. City of Philadelphia, No. 19-3699

- Plaintiff was arrested and convicted of murder in 1994 and alleges that he was wrongfully incarcerated for 24 years. The conviction was overturned in 2018 and plaintiff now makes claims of malicious prosecution and fabrication of evidence. Specifically, Plaintiff alleges that the assigned detectives coerced witnesses into identifying Plaintiff as the murderer and withheld exculpatory evidence. The case is still in discovery, and Plaintiff is now represented by outside counsel. Damages are difficult to calculate, but, if liability is established, could exceed $8 million considering the length of time spent in incarceration.

Dwayne Thorpe v. City of Philadelphia

- Mr. Thorpe alleges that he was maliciously prosecuted and wrongfully incarcerated for 11 years for a crime he did not commit. The case is in active discovery, and Plaintiff is represented by outside counsel. Damages are difficult to calculate at this stage of the case, but, if liability is established, could exceed $8 million considering the length of time spent in incarceration.

John Miller v. City of Philadelphia, 20-3054

- Mr. Miller was convicted of murder and alleges that he was wrongfully incarcerated for approximately 22 years. Represented by counsel, he has reached out to explore early resolution of the litigation. Given the length of time Mr. Miller spent in custody, damages, while difficult to calculate at this early stage, could exceed $8 million if liability is established.

Willie Veasy v. City of Philadelphia, 20-5107

- Mr. Veasy was convicted of murder and alleges that he was wrongfully incarcerated for approximately 27 years. Represented by counsel, he has reached out to explore early resolution of the litigation. Given the length of time Mr. Veasy spent in custody, damages, while difficult to calculate at this early stage, could exceed $8 million if liability is established.

Consolidated Civil Actions Arising out of Civil Unrest Cases

- Multiple civil actions have been filed alleging that the Police Department engaged in civil rights violations during periods of protests and civil unrest from May 30-June 1, 2020. The aggregate exposure of these matters, which have already reached over 200 plaintiffs, could amount to several million dollars.

Zilka Wage Tax Refund Exposure

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

Host International, Inc. v. MarketPlace PHL, LLC

- In May 2019, Host International, Inc. ("Host") instituted suit against MarketPlace PHL, LLC ("MarketPlace"), which manages all retail concession operations at Philadelphia International Airport pursuant to a January 1, 2015, concession agreement (the "Agreement") with the City, through its Commerce Department, Division of Aviation. The suit, filed in Federal court in the Eastern District of Pennsylvania, alleges breaches of antitrust laws in connection with MarketPlace having entered into a Beverage Services and Sponsorship Agreement with a company doing business as Pepsi Beverages Company. MarketPlace, filed a Motion to Dismiss (the "Motion") in July 2019. The Motion was granted, and Host has filed an appeal, which is pending. MarketPlace and the City believe the underlying claims are without merit. Should the appeal be successful, and should the court thereafter find against MarketPlace and find that the claims have merit and if such a result has an impact on MarketPlace, such result may have an impact on the City based upon the Agreement.

First Transit, Inc. (Demand Letter)

- First Transit contracted with the Department of Commerce, Division of Aviation (the "Airport"), for the provision of shuttle bus services to and from the Airport's various parking lots and facilities. As a result of the COVID-19 pandemic, the Airport's utilization of First Transit's services significantly declined, and the Contract has been suspended with termination likely during 2021 based on Airport requirements. First Transit's attorneys have written to the Airport claiming that they are prepared to engage in litigation over First Transit's "estimated $11 million in unreimbursed losses." At this early stage, we are unable to estimate the likelihood of success or potential exposure; however, based on an initial review of the contract and applicable case law, we consider liability, if any, to be far below the disclosure threshold and include this matter here in the interest of extreme caution.

2) Guaranteed Debt

During Fiscal Year 2014, the City implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 had no significant effect on the City's financial statements. The City has guaranteed certain debt payments of one component unit (PPA). Under a contract with PPA authorized by City Council Ordinance, the City agreed to annually pay such amounts as necessary to restore any deficiency in the debt service reserve fund for PPA's Parking System Revenue Bonds Series 1999A. During fiscal year 2019, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City was not required to cover the debt service this fiscal year due to contingent payments from a third party. As of March 31, 2020, the City of Philadelphia has provided approximately $13.4 million in funds in its role as guarantor of these bonds. The 1999A Indenture provides for the Authority to repay the City for any funds paid by the City as a result of its guarantee. In the event of a sale of the parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The current portion is $850,000 as of March 31, 2020. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of $9.35 million at March 31, 2020.

3) Single Audit

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City Officials, the only significant contingent liabilities related to matters of compliance, are the timely filing of the City's audit report, data collection form and reporting package, detailed below and the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the year ended June 30, 2020, which accounted for $656.1 million for all open programs as of November 30, 2020. Of this amount, $517.3 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2020. $125.2 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the years ended June 30, 2019 and prior, and $13.6 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

In addition to the Single Audit contingencies noted above, Uniform Guidance §200.512 requires that the audit must be completed, and the data collection form and reporting package must be submitted within, the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. The City has regularly failed to meet this filing requirement. As a result of the City's continued failure to meet this filing requirement, there is a chance that future funding could be affected.

4) HUD Section 108 Loans

As detailed in Note III. 6., collateral for repayment of the City's HUD Section 108 loans includes future Community Development Block Grant entitlements due to the City from HUD.

5) Act 148 Children and Youth and Other Major Programs

In previous fiscal years the Act 148 and all of the Children and Youth Programs reimbursed by the Commonwealth of Pennsylvania, was accounted for in the General Fund. Starting in fiscal year 2012, the reimbursable portion of this program was accounted for in the Grants Revenue Fund, and the non-reimbursable portion continues to be accounted for in the General Fund. At June 30, 2019, the Grants Revenue Fund had a $211.93 million receivable for the Children and Youth Programs. In FY 2020 the Grants Revenue Fund had expenditures totaling $506.8 million and revenue totaling $534.7 million. At June 30, 2020, the Grants Revenue Fund had a $163.7 million receivable for the Children and Youth Programs. Due to the nature of the programs' billing polices, the city has 24 months after the current fiscal year-end date to submit a final reimbursement request. If receivables for program costs submitted for reimbursement are subsequently deemed ineligible, such non-reimbursable costs will be charged to the General Fund.

6) Global Pandemic Uncertainties and Support

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

The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the City's operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. In addition, the City's own source revenue or derived revenues could be affected negatively. Overall, decreased funding could result in the City having to curtail or eliminate some services. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop and evolve.

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provided $276.0 million from the Coronavirus Relief Fund (CFR) to the City, with $212.4 million remaining to be spent at June 30, 2020. The funds are anticipated to be fully utilized on allowable expenses by December 31, 2021, however, any monies unspent at that time will revert back to the U.S. Treasury.

The Aviation Fund was awarded $116.4 million in CARES Act funding from the FAA. As of June 30, 2020, the Aviation Fund received and spent $53.8 million on allowable expenses. The remaining $62.6 million of awarded funds are anticipated to be fully utilized on allowable expenses within the timeframe permitted by the Federal Government.

Additionally, The City has received other Cares Act funding from various Federal Agencies to provide support for specific operations within the City.

B. COMPONENT UNITS

1) Claims and Litigation

The following information represents the opinion and disclosures of the General Counsel of the School District concerning litigation and contingencies:

Special Education and Civil Rights Claims – There are estimated nine hundred fifty (709) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of $4.4 million.
Of those, four hundred fifty (450) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, four hundred fifty (450) unfavorable outcomes are deemed probable in the aggregate of $4.4 million.

Other Matters - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of $79.1 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed reasonably possible in the amount of $2.3 million in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of $3.7 million and $8.4 million, respectively, arising from personal injury and property damage claims and lawsuits.

Administrative Appeals in Pennsylvania Department of Education – The School District has received several state subsidy withholding requests filed with PDE, pursuant to Section 1725-A of the Charter School Law, by charter schools that enrolled Philadelphia resident students. These withholding requests concern the calculation of the per-pupil rates to be paid by the School District to charter schools. The issues relate to whether the charter school per-pupil rates should be calculated using a school district's allocated expenditures reflected in its initial budget, in its amended adopted budget, or in its final audited financial report for the prior fiscal year. These issues have been raised in a number of withholding requests submitted to PDE by charter schools seeking payments from many school districts in Pennsylvania.

First Phila. Prep. Charter School, et al. v. Pennsylvania Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 159 M.D. 2017. This case was brought in 2017 by seven Philadelphia charter schools against PDE, the School District, the Superintendent, the Governor, the Attorney General, and members of the General Assembly. At issue is the validity of PDE's interpretation of 24 P.S. § 1725-A(a)(2) and (3) as stated in PDE's former PDE-363 Guidelines. Based on PDE's Guidelines, which applied statewide, the School District made payments to charter schools in accordance with prior-year budgeted expenditures, but toward the end of the school year, the School District adjusted the rates after calculating them based upon actual expenditures. Those rates were then applied to the entire school year. Because this adjustment caused the rates to go down, the charter schools argued that the Guidelines should be disregarded or voided because they were inconsistent with the Charter School Law, specifically, 24 P.S. §§ 17-1725-A(a)(2) and (3). On February 22, 2018, a Commonwealth Court panel overruled the preliminary objections presented by the School District and by PDE and held that PDE's Guidelines were invalid. The case was remanded to the Court of Common Pleas for a determination as to whether the charter schools have been paid in the correct amounts. On March 19, 2018, PDE rescinded the Guidelines by posting a notice on its website.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 289 M.D. 2017. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. In addition to the issue raised in the First Philadelphia case described above, the charter schools raised the issue of whether they were entitled to per-pupil payments at the proper rates for the 2015-2016 school year when they made their payment requests to PDE, and not to the School District, after October 1, 2016. In July 2016, the General Assembly had amended the language of Section 1725-A(a)(5) to include a provision stating that charter schools must provide to their chartering school districts by October 1st following the end of a school year "final documentation of payment to be made" to them. In April 2017, the charter schools asked PDE to withhold funds from the School District under authority of 24 P.S. § 1725-A(a)(5), but PDE refused to make withholdings because the schools failed to show that they complied with the statutory deadline of October 1, 2016. All parties filed motions for summary relief. On August 5, 2019, the Commonwealth Court denied the School District's motion and found that the only significance of the schools' missing the October1st deadline was it relieved PDE of the obligation to make withholdings. The court held that, regardless of whether charter schools meet the October 1st deadline, the school District has a "duty to pay charter schools the statutory amount" and ordered that the matters proceed before PDE. The School District decided not to appeal the court's decision. The parties have settled the October 1 issue for $1,820,108 and are proceeding with the federal funds' deduction issues before PDE. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in an amount in excess of $10.7 million for the 2015-16 school year.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 167 M.D. 2019. This is a charter school funding dispute brought by eight brick and mortar and cyber charter schools against PDE and the School District. The School District initially objected to withholdings for payments made to the charter schools for the 2016-2017 school year. The Commonwealth Court in the First Philadelphia case then invalidated PDE's 363 Guidelines. The School District later paid these charter schools at the proper rates calculated using budgeted expenditures, as required under the First Philadelphia decision. Accordingly, the School District withdrew its objections to the withholdings made by PDE. The charter schools still wanted to be heard, however, on their federal fund deduction claims, so they brought this separate action. After the School District and PDE filed preliminary objections and briefs in mid-September 2019, the charter schools moved their federal funds deduction claims to PDE; however, the case before Commonwealth Court has not been dismissed. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in an amount in excess of $8.5 million for the 2016-17 school year.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 431 M.D. 2019. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. The School District initially objected to withholdings for payments made to the charter schools for the 2017-2018 school year. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in an amount in excess of $6.4 million for the 2017-18 school year. The charter schools brought this action to make the same federal funds claims as presented in the prior case (167 M.D. 2019). The School District's response to the petition for review was filed in early October 2019. The charter schools moved their federal funds deductions claims to PDE and discontinued the Commonwealth Court case in March 2020.

These three matters are assigned to a hearing officer and the hearings began on November 9, 2020.

Federal Funds Deduction Administrative Actions. As a result of the Commonwealth Court's order in Antonia Pantoja, 289 M.D. 2017, related to the 2015-16 school year and the charter schools' moving their federal funds claims for the 2016-17 (Antonia Pantoja, 167 M.D. 2019) and 2017-18 (Antonia Pantoja, 431 M.D. 2019) school years to PDE, there are twelve docketed matters before PDE related to the 2015-2016 school year, thirteen docketed matters related to the 2016-2017 school year, and twelve docket matters related to the 2017-2018 school year involving the federal funds deduction issue. The amounts at issue are: (i) in excess of $10.7 million for the 2015-16 school year; (ii) in excess of $8.5 million for the 2016-17 school year; and (iii) in excess of $6.4 million for the 2017-18 school year. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome on the federal funds deduction issue involving claims for the 2016-17 and 2017-2018 school year in the amounts detailed above is reasonably possible.

Constitutional Challenge- Duffield House Assocs., et al. v. City of Phila., et al., Court of Common Pleas of Philadelphia County, September Term, 2017, Case No. 153. This consolidated proceeding by commercial property owners and tenants in the City alleges that the City's 2018 property tax reassessment violated the Pennsylvania Constitution's Uniformity Clause. In 2018, plaintiffs requested a preliminary injunction to compel usage of the 2017 assessment levels for all tax bills. Because that request implicated the School District's Business Use and Occupancy Tax, the School District intervened as a defendant. The Court denied the plaintiffs' requested preliminary injunction but stayed their individually filed appeals from the Board of Revision of Taxes pending the outcome of the dispute. The Court conducted a trial on the merits in June 2019.

On July 18, 2019, the Court issued an opinion, ruling against the City and in effect, adverse to the School District's interests. If that ruling stands, it would have an estimated $35.0 million impact on the School District. The City and School District moved for post-trial relief in July 2019, which the Court denied. The City and School District filed a notice of appeal of the Court's decision, which has been docketed with Commonwealth Court on November 4, 2019.

The parties are waiting to receive the briefing schedule from Commonwealth Court. During this appeal, the ruling of the Court of Common Pleas will be automatically stayed. Although it is impossible to determine with any certainty, based on our evaluation of the claims and defenses, the likelihood of an unfavorable outcome for the School District is reasonably possible in the amount of approximately $35.0 million.

Adoption of an Amended Financial Plan for Chester Upland School District, Del. Cty. CCP, No. 12-9781. Chester Upland School District ("CUSD") is a public school district serving the City of Chester, the Borough of Upland, and Chester Township in Delaware County, Pennsylvania. Upon petition by the Pennsylvania Secretary of Education, CUSD was placed into receivership on December 13, 2012. The receivership has been extended twice and currently terminates on June 3, 2022. A Revised Financial Recovery Plan was submitted to the court on December 19, 2019. In November 2019, Chester Community Charter School ("CCCS") petitioned the court to direct CUSD and its Receiver to issue a Request for Proposals to convert CUSD schools to charter schools to take over the entire pre-K to 8th grade program, along with CUSD school buildings. Approximately 1,500 Philadelphia resident children were enrolled in CCCS during fiscal year 2018-2019, and enrollment for 2019-2020 was projected at 1,400 Philadelphia resident students. For fiscal year 2018-2019, the School District paid approximately $15.6 million to CCCS, and projected payments for 2019-2020 were approximately $19.6 million. Pursuant to the Charter School Law, the School District must also transport all children to a charter school, such as CCCS, within a ten-mile radius of Philadelphia. In fiscal year 2018-2019, the transportation expenditure to transport Philadelphia resident students to CCCS was approximately $1,546,000. The court twice denied the Philadelphia School District's petitions to intervene in the case. The School District argued that, due to the number of Philadelphia students attending CCCS, the School District has a stake in the matter, and that any CUSD schools converted to charter schools should have enrollment limited to CUSD residents. On May 14, 2020, the court accepted and approved the Financial Recovery Plan. The court authorized the Receiver to issue RFPs to address the options for the management and delivery of education for Pre-K through 12th grade, including converting CUSD schools to charter schools through a competitive RFP, a demonstration of financial savings, and public evaluation. Any recommendation for changes to school management or grade levels have to be approved by the court through an amendment to the Financial Recovery Plan. On June 5, 2020, the School District filed a motion to intervene and on June 15, 2020, the School District filed a notice to appeal the May 14, 2020 Order. The court has not ruled or scheduled hearings on either filing. The School District has also filed another appeal regarding the court's denial of the School District's June 5, 2020 petition to intervene. The court has scheduled a status hearing regarding the Financial Recovery Plan for January 11, 2021. The School District cannot predict the potential financial impact if the Financial Recovery Plan is implemented in its present form.

9 SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2020 through and including February 25, 2021. The following events are described below:

- **PRIMARY GOVERNMENT**

1. In August 2020, the City issued $296.6 million Water and Wastewater Revenue and Refunding Bonds, Series 2020 A & B. The Series 2020 A&B bonds were issued at an interest rate of 5%. The 2020 A&B bonds were issued for the purpose of providing funds which, together with the other available funds of the City, will be used to finance (i) capital improvements of the City's Water and Wastewater systems, (ii) the current refunding of the City's outstanding Water and Wastewater Revenue Bonds Variable Rate Series 1997B and Water and Wastewater Revenue Bonds, Series 2010C, (iii) the advance refunding of all or a portion of the City's outstanding Water and Wastewater Revenue Refunding Bonds, Series 2011B, Water and Wastewater Revenue Refunding Bonds , Series 2012 and Water and Wastewater Revenue Refunding Bonds , Series 2013A, (iv) the costs of issuance relating to the Tax Exempt Bonds and (v) the costs of issuance relating to the Taxable Bonds.

2. On February 10, 2021, the City of Philadelphia, through the Water Department, closed a loan with the Pennsylvania Infrastructure Investment Authority ("PENNVEST") for $80,821,155 to fund the rehabilitation of the Torresdale Filtered Water Pump Station. The low interest loan is evidenced by and payables secured on a parity basis with water and wastewater revenue bonds which will bear interest of 1.00% during the first five years of amortization and 1.727% for the remaining fifteen years.

3. In November 2020, the City of Philadelphia, through the Water Department, submitted two financing applications to the PENNVEST Board of Directors. The City was awarded the loans on or about January 20, 2021. The low interest loans evidenced by and payables secured on a parity basis with water and wastewater revenue bonds will bear interest of 1.00% during the first five years of amortization and 1.727% for the remaining fifteen years. The financings, described below, are required to close within 270 days of the award date.

    a. $100,115,000 Northeast Water Pollution Control Plant Project; The City of Philadelphia signed a consent order and agreement with the Pennsylvania Department of Environmental Protection and the US Environmental Protection Agency. This agreement requires the City to reduce overflows from its combined sewer system. A major step in achieving compliance is the construction of a new facility at the City's Northeast Water Pollution Control Plant (NEWPCP). This new facility, termed the "New Preliminary Treatment Building," will increase the plant's wet-weather treatment capacity by 50%.

    b. $6,720,000 Lawncrest Stormwater Practices Project; The Lawncrest Streets Southwest Project, also part of the City's CO&A obligations, is composed of 31 systems, a combination of tree trenches, stormwater bumpouts, and stormwater trees, managing over 13 acres of drainage area from the right-of-way in the Lawncrest neighborhood of North Philadelphia. The project count towards Philadelphia's compliance targets.

4. In September 2020, the City issued $300.0 million Tax and Revenue Anticipation Notes, Series A of 2020–2021 The City is issuing the Notes in anticipation of receipt of FY-2021 taxes and revenues. The proceeds will be used: (i) to provide cash to supplement the receipts of the City in the General Fund for the purpose of paying general expenses of the City prior to the receipt of income from taxes and other sources of revenue, (ii) to pay the cost of issuance of the Notes.

5. In October 2020, the City issued Airport Refunding Bonds, Series 2020A, B, & C in the original principal amount of $389.2 million. The 2020A Bonds were issued for the purpose of providing funds, together with other available moneys, to: (i) refund all of the outstanding Series 2010A Airport Revenue Bonds, and (ii) pay the cost of issuance of the 2020A Bonds. The 2020B Bonds were issued for the purpose of providing funds to (i) refinance certain outstanding Commercial Paper Notes, and (ii) pay the cost of issuance of the 2020B Bonds. The 2020C Bonds were issued for the purpose of providing funds to (i) refund all of the outstanding Series 2010D Airport Revenue Bonds, (ii) refinance certain outstanding Commercial Paper Notes, and (iii) pay the cost of issuance of the 2020C Bonds.

6. In October 2020, the City issued $253.9 million Philadelphia Gas Works Revenue and Refunding Bonds, Sixteenth Series A&B. The Series A Bonds will be used to (i) finance a portion of PGW's ongoing Capital Improvement Program, (ii) make a deposit to the Sinking Fund Reserve, and (iii) pay the cost of issuance of the Series A Bonds. The Series B Bonds will be used to (i) refund certain bonds currently outstanding, and (ii) pay the cost of issuance of the Series B Bonds.

7. In the Spring of 2021, the City has scheduled the following bond sales;

    a. General Obligation Refunding Bonds, Series 2021, $250.0 million.

    b. Philadelphia International Airport Revenue Bonds, Series 2021, $150.0 million

    c. Philadelphia Authority for Industrial Development, City Service Agreement Refunding Bonds (Pension Obligation Bonds Restructuring), Series 2021, $100.0 million.

    d. Philadelphia Authority for Industrial Development, City Service Agreement Revenue Bonds (Rebuild Project), $85.0 million.

- **COMPONENT UNITS**

1. **SDP** Subsequent Events

    a. *Tax Anticipation Revenue Notes (TRAN)*
    In July 2020, as part of the annual process to obtain short term financing (in anticipation of the receipt of taxes and revenues) through the issuance of tax and revenue anticipation notes (TRANS), the Board of Education, through a resolution, authorized the issuance and sale of TRAN Note Series of 2020-2021 which was issued as fixed rate notes in the aggregate principal amount of $533.2 million with a maturity date of June 30, 2021.

    On July 1, 2020, the Board of Education authorized the issuance of $533.2 million of Tax and Revenue Anticipation Notes, Series A of 2020-2021 through a negotiated sale. The Notes were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2021. The Notes received the highest short-term ratings from both Moody's and Fitch, MIG1 and F1+, respectively. The Notes were sold at a coupon of 4.00% with a yield of 0.55%. Note proceeds were received on the closing date of July 9, 2020.

    b. *Federal Relief Appropriations Due to COVID-19*
    The District received federal awards in Fiscal Year 2020 pursuant to the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, which was signed by President Trump into law on March 27, 2020 for addressing the ongoing COVID-19 pandemic. The District received approximately $138.7 million to be spent in Fiscal Year 2021 forward, less an amount for Equitable Share to non-public schools.

    The District will be receiving additional funds pursuant to the Coronavirus Response and Relief Supplemental Appropriations Act, Pub. L. No 116-260, passed by Congress and signed by President Trump at the end of December 2020. While no award has been made at this time, the District is projected to receive $565.0 million for the period between the times the bill became law through September 30, 2023.

    c. *University of Pennsylvania Private Grant for Environmental Hazard Abatements:*
    On November 17, 2020 the University of Pennsylvania announced that it will contribute $100.0 million to the School District representing a significant commitment to the City and its public school children. This is the largest private contribution to the School District in its history. Penn's $100.0 million contribution to the School District ($10.0 million annually for 10 years beginning in Fiscal Year 2021) will be used to remediate environmental hazards, including asbestos and lead, in our public school buildings.

    d. *Settlement Agreement with KIPP Philadelphia Charter School:*
    Based on a final settlement agreement reached in October 2020 KIPP Philadelphia Charter School agreed to pay the School District of Philadelphia $3.0 million regarding enrollment disputes arising from the 2013-14 and 2014-15 school years. The payment will be made in five (5) installments of $600,000 each beginning with the 2020-21 school year.

2. PHA Subsequent Events:

    PHA and Enterprise executed a lease agreement whereby Enterprise will lease additional 50 vehicles to PHA during the year ending March 31, 2021. PHA will pay Enterprise approximately $2.2 million for the vehicles.

    On December 2019, PHA acquired the partnership interest of the limited partner investor in Cambridge Plaza II, L.P., a discrete component unit of PHA. Pursuant to the terms of the Purchase and Sale agreement, the partnership interest was purchased by PHA or its affiliate for $100, an any transfer of taxes and transaction costs in connection with the transfer, including legal cost of $5000. The transaction was completed in July 2020.

On March 2020, the Coronavirus Aid, Relief, and Economic Security Act (Cares Act) was enacted in response to the COVID-19 pandemic. The Cares Act provided additional funding to Housing Authorities under the Housing Choice Voucher Program and the Public Housing Program. The additional funding is intended to offset additional Housing Authority administrative, housing, and operating expenses related to current program activities affected or new activities necessary as a result f the pandemic. PHA was awarded $21.4 million for the Public Housing Program and $8.1 million for the Housing Choice Voucher Program. The additional funding will be received during fiscal year ending March 31, 2021.

3. PAID Subsequent Event:

PAID evaluated its December 31, 2019 financial statements for subsequent events through November 12, 2020, the date the financial statements were available to be issued. PAID is not aware of any subsequent events that would require recognition or disclosure in the financial statements other than as mentioned below.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report, Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers and other key stakeholders.

4. PGW Subsequent Event:

Base Rates

On February 28, 2020, PGW filed for an increase in its distribution base rates with the PUC. The filing sought a general rate increase calculated to produce $70.0 million, or 10.5%, in additional annual operating revenues based upon a twenty-year normal weather assumption. The filing also requested to increase the fixed monthly customer charge component, as well as the volumetric delivery charge component of base rates.

On August 26, 2020, PGW filed a Joint Petition for Partial Settlement (Settlement Agreement) in which all rate case parties joined or did not oppose except the Environmental Stakeholders group that is opposing PGW s rate increase request. The Settlement Agreement provided PGW with a general rate increase of $35.0 million in annual operating revenues in three increments: $10.0 million for service rendered on or after January 1, 2021; $10.0 million on for service rendered on or after July 1, 2021; and $15.0 million for service rendered on or after on January 1, 2022. Settlement agreements with reduced revenue requirements are typical in PUC base rate proceedings and are the product of compromise between the parties diverse interests. The PUC has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.

On October 5, 2020, the ALJ recommended approval of the Partial Settlement with the following modifications: (1) the start of the phased-in rate increases be delayed by six months, beginning July of 2021; (2) PGW should not file a general rate increase any sooner than January 1, 2023, absent emergency relief, tariff changes or as authorized by Commission order or industry-wide changes in regulatory policy which affect PGW s rates; and (3) no later than 90 days following entry of the Final Order in this matter, and biannually through 2022, PGW must meet with the Commission s Pipeline Safety Division to review PGW s increasing costs of pipeline replacement and to develop a plan to reduce pipeline replacement costs and leaks.

On November 19, 2020, the PUC entered its Order and Opinion in the case, which granted the exceptions filed by the Commission s Bureau of Investigation and Enforcement (I&E), the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), the Philadelphia Industrial and Commercial Gas Users Group (PICGUG), and PGW; modified the ALJ recommended decision regarding the settled and litigated issues; and approved the Joint Petition for Partial Settlement, in its entirety, without modification. The new rates approved by the Settlement Agreement will become effective on January 1, 2021.

City of Philadelphia
PENNSYLVANIA

Required Supplementary Information

(Other than Management's Discussion and Analysis)

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Tax Revenue	3,636,492	3,522,792	3,555,945	33,153
Locally Generated Non-Tax Revenue	353,328	362,177	365,113	2,936
Revenue from Other Governments	845,172	884,989	858,539	(26,450)
Revenue from Other Funds	83,011	90,476	53,995	(36,481)
Total Revenues	4,918,003	4,860,434	4,833,592	(26,842)
Expenditures and Encumbrances				
Personal Services	1,820,084	1,904,935	1,874,182	30,753
Pension Contributions	749,051	759,566	759,510	56
Other Employee Benefits	662,912	652,397	603,869	48,528
Sub-Total Employee Compensation	3,232,047	3,316,898	3,237,561	79,337
Purchase of Services	1,001,324	1,058,278	1,016,807	41,471
Materials and Supplies	76,315	92,275	81,576	10,699
Equipment	47,367	57,537	44,067	13,470
Contributions, Indemnities and Taxes	322,432	346,382	342,543	3,839
Debt Service	187,483	187,483	159,227	28,256
Payments to Other Funds	103,189	156,279	154,753	1,526
Advances, Subsidies, Miscellaneous	55,108	17,522	-	17,522
Total Expenditures and Encumbrances	5,025,265	5,232,654	5,036,534	196,120
Operating Surplus (Deficit) for the Year	(107,262)	(372,220)	(202,942)	169,278
Fund Balance Available for Appropriation, July 1, 2019	297,666	438,680	438,680	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,000	44,000	54,934	10,934
Other Adjustments	(4,500)	(981)	-	981
Adjusted Fund Balance, July 1, 2019	317,166	481,699	493,614	11,915
Fund Balance Available for Appropriation, June 30, 2020	209,904	109,479	290,672	181,193

* Refer to the notes to required supplementary information.

City of Philadelphia

Exhibit XV

Required Supplementary Information
Budgetary Comparison Schedule
HealthChoices Behavioral Health Fund
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	2,800	4,500	5,587	1,087
Revenue from Other Governments	1,297,200	1,195,500	1,034,862	(160,638)
Total Revenues	1,300,000	1,200,000	1,040,449	(159,551)
Other Sources				
Increase in Unreimbursed Committments	-	-	56,991	56,991
Total Revenues and Other Sources	1,300,000	1,200,000	1,097,440	(102,560)
Expenditures and Encumbrances				
Personal Services	800	783	326	457
Purchase of Services	1,299,083	1,299,083	1,129,285	169,798
Payments to Other Funds	117	134	134	-
Total Expenditures and Encumbrances	1,300,000	1,300,000	1,129,745	170,255
Operating Surplus (Deficit) for the Year	-	(100,000)	(32,305)	67,695
Fund Balance Available for Appropriation, July 1, 2019	21,486	124,476	124,476	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	9,067	9,067
Prior Period Adjustments	-	(124,476)	-	124,476
Adjusted Fund Balance, July 1, 2019	21,486	-	133,543	133,543
Fund Balance Available for Appropriation, June 30, 2020	21,486	(100,000)	101,238	201,238

* Refer to the notes to required supplementary information.

City of Philadelphia
Exhibit XVI

Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual*	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	157,485	106,225	47,652	(58,573)
Revenue from Other Governments	1,580,472	1,320,853	1,023,408	(297,445)
Total Revenues	1,737,957	1,427,078	1,071,060	(356,018)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(13,124)	(13,124)
Decrease in Financed Reserves	-	-	962	962
Total Revenues and Other Sources	1,737,957	1,427,078	1,058,898	(368,180)
Expenditures and Encumbrances				
Personal Services	201,599	227,887	167,185	60,702
Pension Contributions	34,594	16,413	9,460	6,953
Other Employee Benefits	37,760	62,610	45,845	16,765
Sub-Total Employee Compensation	273,953	306,910	222,490	84,420
Purchase of Services	1,058,745	1,038,940	823,236	215,704
Materials and Supplies	37,432	29,954	12,881	17,073
Equipment	24,464	24,634	5,474	19,160
Contributions, Indemnities and Taxes	1	1	-	1
Short-Term Interest	-	-	(1,947)	1,947
Payments to Other Funds	123,362	118,834	36,406	82,428
Advances, Subsidies, Miscellaneous	220,000	-	-	-
Total Expenditures and Encumbrances	1,737,957	1,519,273	1,098,540	420,733
Operating Surplus (Deficit) for the Year	-	(92,195)	(39,642)	52,553
Fund Balance Available for Appropriation, July 1, 2019	-	(287,099)	(317,722)	(30,623)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	66,869	66,869
Revenue Adjustments - Net	-	-	(23,669)	(23,669)
Prior Period Adjustments	-	287,099	-	(287,099)
Adjusted Fund Balance, July 1, 2019	-	-	(274,522)	(274,522)
Fund Balance Available for Appropriation, June 30, 2020	-	(92,195)	(314,164)	(221,969)

* Refer to the notes to required supplementary information.

City of Philadelphia - Schedule of Changes in Net OPEB Liability and Related Ratios *(Amounts of USD)*

	FYE 2019	FYE 2018	FYE 2017
Total OPEB Liability			
Service Cost (BOY)	82,400,000	81,800,000	89,300,000
Interest (includes interest on service cost)	71,900,000	67,900,000	56,100,000
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	56,800,000	-
Changes of assumptions	54,000,000	(147,800,000)	(105,600,000)
Benefit payments, including refunds of member contributions	(96,900,000)	(96,400,000)	(114,800,000)
Net change in total OPEB liability	**111,400,000**	**(37,700,000)**	**(75,000,000)**
Total OPEB liability - beginning	1,823,900,000	1,861,600,000	1,936,600,000
Total OPEB liability - ending	**1,935,300,000**	**1,823,900,000**	**1,861,600,000**
Plan fiduciary net position			
Contributions - employer	96,900,000	96,400,000	114,800,000
Contributions - non-employer	-	-	-
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(96,900,000)	(96,400,000)	(114,800,000)
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending	**-**	**-**	**-**
Net OPEB liability - ending	**1,935,300,000**	**1,823,900,000**	**1,861,600,000**
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	1,842,600,000	1,805,400,000	1,864,800,000
Net OPEB liability as a percentage of covered-employee payroll	105.03%	101.02%	99.83%

City of Philadelphia - Municipal Pension Plan - Schedule of Changes in Net Pension Liability *(Amounts of USD)*

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015
Total Pension Liability						
Service Cost (MOY)	190,456,944	183,755,848	164,137,303	157,607,110	148,370,075	143,556,347
Interest (includes interest on service cost)	871,381,015	857,348,582	843,171,926	823,959,345	802,450,569	791,298,503
Changes of benefit terms	-	378,455	4,064,886	-	-	-
Differences between expected and actual experience	9,482,477	11,097,845	28,937,167	103,878,650	151,918,733	34,909,464
Changes of assumptions	-	53,488,769	106,021,273	51,441,475	85,147,737	48,146,352
Benefit payments, including refunds of member contributions	(862,197,660)	(842,468,627)	(828,266,043)	(821,495,227)	(889,343,124)	(881,464,964)
Net change in total pension liability	**209,122,776**	**263,600,872**	**318,066,512**	**315,391,353**	**298,543,990**	**136,445,702**
Total Pension liability - beginning	11,774,268,695	11,510,667,823	11,192,601,311	10,877,209,958	10,578,665,968	**10,442,220,266**
Total Pension liability - ending	**11,983,391,471**	**11,774,268,695**	**11,510,667,823**	**11,192,601,311**	**10,877,209,958**	**10,578,665,968**
Plan fiduciary net position						
Contributions - employer	768,720,687	797,805,518	781,984,326	706,236,698	660,246,511	577,195,412
Contributions - member	111,824,994	99,179,683	83,288,635	73,607,359	67,055,003	58,657,817
Net investment income	87,150,696	303,735,946	440,326,787	566,624,580	(145,681,480)	13,838,367
Benefit payments, including refunds of member contributions	(862,197,660)	(842,468,627)	(828,266,043)	(821,495,227)	(889,343,124)	(881,666,036)
Administrative expense	(10,991,102)	(11,154,696)	(10,123,004)	(8,873,657)	(8,553,837)	(10,478,541)
Net change in plan fiduciary net position	94,507,615	347,097,824	467,210,701	516,099,753	**(316,276,927)**	**(242,452,981)**
Plan fiduciary net position - beginning	5,688,383,351	5,341,285,527	4,874,074,826	4,357,975,073	4,674,252,416	**4,916,705,397**
Plan fiduciary net position - ending	**5,782,890,966**	**5,688,383,351**	**5,341,285,527**	**4,874,074,826**	**4,357,975,073**	**4,674,252,416**
Net pension liability - ending	**6,200,500,505**	**6,085,885,344**	**6,169,382,296**	**6,318,526,485**	**6,519,234,885**	**5,904,413,552**
Plan fiduciary net position as a percentage of the total pension liability	48.26%	48.31%	46.40%	43.55%	40.07%	44.19%
Covered payroll	1,902,161,113	1,842,554,883	1,805,400,096	1,744,728,288	1,676,548,962	1,597,848,869
Net pension liability as a percentage of covered payroll	325.97%	330.30%	341.72%	362.15%	388.85%	369.52%

City of Philadelphia Schedule of Collective Contributions (Based on Minimum Municipal Obligations)

Last 10 Fiscal Years
Amounts in Thousands

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011
Actuarially determined Contribution	675,751	668,281	661,257	629,620	594,975	556,030	523,368	727,604	534,039	463,375
Contributions in Relation to the Actuarially Determined Contribution	768,721	797,806	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155
Contribution Deficiency/(Excess)	(92,970)	(129,525)	(120,727)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)
Covered Payroll	1,902,161	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274
Contributions as a Percentage of Covered Payroll	40.41%	43.30%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%

City of Philadelphia Schedule of Collective Contributions (Based on Revenue Recognition Policy)

Last 10 Fiscal Years
Amounts in Thousands

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011
Actuarially determined Contribution	704,589	680,808	662,139	629,620	594,975	556,030	523,368	727,604	534,039	463,375
Contributions in Relation to the Actuarially Determined Contribution	768,721	797,806	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155
Contribution Deficiency/(Excess)	(64,132)	(116,998)	(119,845)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)
Covered Payroll	1,902,161	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274
Contributions as a Percentage of Covered Payroll	40.41%	43.30%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%

City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)

Last 10 Fiscal Years
Amounts in Thousands

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011
Actuarially determined Contribution	839,691	874,706	871,802	881,356	846,283	798,043	823,885	738,010	722,491	715,544
Contributions in Relation to the Actuarially Determined Contribution	768,721	797,806	781,984	706,237	660,247	577,195	553,179	781,823	555,690	470,155
Contribution Deficiency/(Excess)	70,970	76,900	89,818	175,119	186,036	220,847	270,706	(43,813)	166,801	245,389
Covered Payroll	1,902,161	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274
Contributions as a Percentage of Covered Payroll	40.41%	43.30%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%

Notes to Schedule

Valuation Date	7/1/2018
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year.

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Asset valuation method	Ten-year smoothed market
Amortization method	Gain/Losses are amortized over closed 20-year periods, assumption changes over 15years, benefit changes for actives over 10 year, and benefit changes for inactive members over 1 year, and plan changes mandated by state over 20 years. Under the City's Funding policy, the initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019, with payments increasing 3.3% per year, the assumed payroll growth. Under the MMO Funding Policy, the July 1, 2009 unfunded actuarial liability (UAL) was "fresh started", to be amortized over 30 years, ending June 30, 2039. This is level dollar amortization of the UAL. Under the RRP Funding Policy, sales tax revenue and additional member contributions are dedicated to fund the unfunded liability instead of reducing the City's obligation such that this revenue is in addition to the MMO would be without these additional assets.
Discount rate	7.60%
Amortization growth rate	3.30%
Salary increases	Age based salary scale separated by employee classification
Mortality	RP-2014 Mortality Tables projected from base year of 2006 to 2021 using mortality improvement scale MP-2017

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2020 can be found in the July 1, 2018 actuarial valuation.

Philadelphia Gas Works - Schedule of Changes in Net Pension Liability *(Amounts in thousands USD)*

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Total Pension Liability					
Service Cost	6,400	6,554	6,103	5,823	5,400
Interest Cost	56,893	57,240	55,718	55,443	55,903
Changes in Benefit Terms	-	-	-	-	-
Differences between expected and actual experience	(3,034)	(12,089)	15,706	2,182	(8,841)
Changes in assumptions	(24,891)	(1,834)	(3,864)	(7,952)	26,748
Benefit Payments	(55,061)	(53,893)	(52,627)	(51,376)	(50,447)
Net Change in Total Pension Liability	**(19,693)**	**(4,022)**	**21,036**	**4,120**	**28,763**
Total Pension Liability (Beginning)	**800,485**	**804,507**	**783,471**	**779,351**	**750,588**
Total Pension Liability (Ending)	**780,792**	**800,485**	**804,507**	**783,471**	**779,351**
Plan Fiduciary Net Position					
Contributions-Employer	29,414	28,570	29,143	27,918	21,123
Contributions - Member	1,519	1,249	1,078	852	602
Net Investment Income	14,286	34,260	44,310	61,002	2,872
Benefit Payments	(55,061)	(53,893)	(52,627)	(51,376)	(50,446)
Administrative Expense	(168)	(192)	(184)	(129)	(1,611)
Other	-	-	-	-	-
Net Change in Fiduciary Net Position	**(10,010)**	**9,994**	**21,720**	**38,267**	**(27,460)**
Plan Fiduciary Net Position (Beginning)	**553,240**	**543,246**	**521,526**	**483,259**	**510,719**
Plan Fiduciary Net Position (Ending)	**543,230**	**553,240**	**543,246**	**521,526**	**483,259**
Net Pension Liability (Ending)	**237,562**	**247,245**	**261,261**	**261,945**	**296,092**
Total Pension Liability	780,792	800,485	804,507	783,471	779,351
Plan Fiduciary Net Position	543,230	553,240	543,246	521,526	483,259
Net Pension Liability (Ending)	**237,562**	**247,245**	**261,261**	**261,945**	**296,092**
Net Position as a percentage of Pension Liability	69.57%	69.11%	67.53%	66.57%	62.01%
Covered Payroll	95,934	98,454	101,271	94,768	90,860
Net Pension Liability as a percentage of Payroll	247.63%	251.13%	257.98%	276.41%	325.88%

Valuation Date: actuarial liabilities and assets are calculated as of the Fiscal Year end date.

Philadelphia Gas Works - Schedule of Actuarially Determined Contribution *(Amounts in thousands USD)*

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Actuarially Determined Contribution	26,844	28,797	28,395	29,260	26,476
Contributions Made	29,414	28,570	29,143	27,918	21,123
Contribution Deficiency/(Excess)	(2,570)	227	(748)	1,342	5,353
Covered Payroll	95,934	98,454	101,271	94,768	90,860
Contributions as a percent of covered payroll	27.98%	29.25%	28.04%	30.88%	29.14%

Notes to Required Supplementary Information:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2020
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Contributions based on greater of 20 year level dollar open amortization method and 30 year level dollar closed amortization method.
Asset Valuation Method	Assets smoothed over 5 year period
Salary Increases	Varies by participant years of service.
General Inflation	2.00%
Investment Rate of Return	7.30%
Cost of Living	N/A
Mortality rates	Pri-2012 mortality table projected generationally from the central year using Scale MP-2020.

Amounts in thousands of USD

I. BASIS OF BUDGETING

The budgetary comparison schedules presented differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The major funds presented as Required Supplementary Information are subject to annual operating budgets adopted by City Council. These budgets appropriate funds by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies & equipment; contributions, indemnities & taxes; debt service; payments to other funds; and advances & other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes must have council approval.

Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are reported in the City's "Supplemental Report of Revenues & Obligations", a separately published report.

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

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
Revenues			
Budgetary Comparison Schedule	4,833,592	1,040,449	1,071,060
Transfers	(536,475)	-	-
Program Income	-	-	48,642
Adjustments applicable to Prior Years Activity	-	-	(631)
Change in Amount Held by Fiscal Agent	2,786	-	-
Change in BPT Adjustment	25,583	-	-
Return of Loan	-	-	
Other	-	-	(23,037)
Statement of Revenues, Expenditures & Changes in Fund Balance	4,325,486	1,040,449	1,096,034
Expenditures and Encumbrances			
Budgetary Comparison Schedule	5,036,534	1,129,745	1,098,540
Transfers	(208,847)	-	(40,178)
Transfer to Budget Stabilization Fund	(34,276)	-	-
Bond Issuance Costs	15,072	-	-
Expenditures applicable to Prior Years Budgets	90,690	18,418	18,064
Program Income	-	-	48,642
Capital Outlay for New Police Headquarters	-	-	-
Change in Amount Held by Fiscal Agent	39,468	-	-
Current Year Encumbrances	(200,145)	(84,475)	(71,809)
Statement of Revenues, Expenditures & Changes in Fund Balance	4,738,496	1,063,688	1,053,259

City of Philadelphia
PENNSYLVANIA

Other Supplementary Information

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

COUNTY LIQUID FUELS TAX - Established to account for funds made available by Public Law No. 149.

SPECIAL GASOLINE TAX - Established to account for funds made available by Public Law No. 588.

HOTEL ROOM RENTAL TAX - Established to account for the tax levied to promote tourism.

COMMUNITY DEVELOPMENT - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

CAR RENTAL TAX - Established to account for the tax levied to retire new municipal stadium debt.

HOUSING TRUST - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

ACUTE CARE HOSPITAL ASSESSMENT - Established in FY 2009 to account for the assessment of certain net operating revenues of certain acute care hospitals.

RIVERVIEW RESIDENTS - Established to maintain a commissary and provide other benefits for the residents.

PHILADELPHIA PRISONS - Established to operate a workshop and to provide benefits for the prison inmates.

ARBITRATION APPEALS - Established to account for certain court fees and provide funds for the arbitration board.

DEPARTMENTAL - Established to account for various activities of the Free Library and Parks and Recreation.

MUNICIPAL AUTHORITY ADMINISTRATIVE - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE - Established to account for PICA revenues from taxes and deficit financing transactions.

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

CITY - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

MUNICIPAL AUTHORITY - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE - Established to account for the debt service activities related to the deficit financing provided by PICA.

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets .

CITY - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

MUNICIPAL AUTHORITY - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

PERMANENT FUNDS

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

LIBRARIES & PARKS - Established to account for trust of the Free Library and Parks and Recreation.

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

Schedule I

Amounts in thousands of USD

	Special Revenue												
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets													
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	7,697	204	10,761	18,662
Equity in Treasurer's Account	13,153	57,630	2,140	-	10,212	74,207	34,640	30	3,903	4,268	-	-	200,183
Investments	-	-	-	-	-	-	-	-	-	1,049	-	13,540	14,589
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	10,484	-	10,484
Due from Component Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	1,994	-	298	-	15,269	-	-	-	-	13,062	30,623
Accounts Receivable	-	-	-	2,584	-	-	-	-	-	67	1,028	-	3,679
Due from Other Governmental Units	-	-	-	13,503	-	-	-	-	-	-	-	-	13,503
Allowance for Doubtful Accounts	-	-	(558)	-	-	-	(13,742)	-	-	-	-	-	(14,300)
Interest and Dividends Receivable	-	-	-	-	19	-	-	-	-	-	-	-	19
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	96	527	19	642
Total Assets	13,153	57,630	3,576	16,087	10,529	74,207	36,167	30	3,903	13,177	12,243	37,382	278,084
Liabilities													
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Vouchers Payable	24	1,357	-	334	-	1,166	11,578	-	117	90	-	-	14,666
Accounts Payable	1,042	5,204	93	7,620	-	4,452	134	-	-	172	12,429	81	31,227
Salaries and Wages Payable	1	-	-	252	-	-	181	-	-	-	-	-	434
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	136	136
Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	7,940	-	-	-	-	-	-	-	13,062	21,002
Due to Primary Government	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Component Units	-	-	-	28	-	2,276	-	-	-	-	-	-	2,304
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	1,207	-	-	1,654
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1,067	6,561	93	16,174	-	7,894	11,893	-	564	1,469	12,429	13,279	71,423
Deferred Inflows of Resources	-	-	431	16,103		-	1,527	-	-	-	-	-	18,061
Fund Balances													
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	12,086	51,069	3,052	-	10,529	66,313	22,747	-	-	10,221	-	24,103	200,120
Committed	-	-	-	-	-	-	-	30	3,339	1,487	-	-	4,856
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(16,190)	-	-	-	-	-	-	(186)	-	(16,376)
Total Fund Balances	12,086	51,069	3,052	(16,190)	10,529	66,313	22,747	30	3,339	11,708	(186)	24,103	188,600
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	13,153	57,630	3,576	16,087	10,529	74,207	36,167	30	3,903	13,177	12,243	37,382	278,084

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2020

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total Non-Major Governmental Funds
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	
Assets									
Cash on Deposit and on Hand	-	-	7,290	7,290	-	-	-	327	26,279
Equity in Treasurer's Account	183	-	-	183	305,430	-	305,430	-	505,796
Investments	-	48	8,521	8,569	-	11,399	11,399	6,762	41,319
Due from Other Funds	-	-	-	-	-	9,726	9,726	-	20,210
Due from Component Units	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-	30,623
Accounts Receivable	-	-	-	-	-	-	-	-	3,679
Due from Other Governmental Units	-	-	-	-	72,503	-	72,503	-	86,006
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(14,300)
Interest and Dividends Receivable	-	-	1	1	-	-	-	-	20
Inventories	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	642
Total Assets	183	48	15,812	16,043	377,933	21,125	399,058	7,089	700,274
Liabilities									
Notes Payable	-	-	-	-	-	-	-	-	-
Vouchers Payable	-	-	-	-	11,143	-	11,143	-	25,809
Accounts Payable	-	-	8	8	24,109	-	24,109	53	55,397
Salaries and Wages Payable	-	-	-	-	68	-	68	-	502
Payroll Taxes Payable	-	-	-	-	-	-	-	-	136
Accrued Expenses	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	21,002
Due to Primary Government	-	-	-	-	-	-	-	-	-
Due to Component Units	-	-	-	-	1,437	-	1,437	-	3,741
Funds Held in Escrow	-	-	-	-	2,967	-	2,967	-	4,621
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	12,326	-	12,326	-	12,326
General Obligation Bonds	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue Bo	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	8	8	52,050	-	52,050	53	123,534
Deferred Inflows of Resources	-	-	-	-	68,478	-	68,478	-	86,539
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	3,827	3,827
Restricted	183	48	15,804	16,035	257,405	21,125	278,530	3,209	497,894
Committed	-	-	-	-	-	-	-	-	4,856
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(16,376)
Total Fund Balances	183	48	15,804	16,035	257,405	21,125	278,530	7,036	490,201
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	183	48	15,812	16,043	377,933	21,125	399,058	7,089	700,274

City of Philadelphia

Schedule II

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues														
Tax Revenue	-	-	52,827	-	5,368	-	190,623	-	-	-	-	-	528,983	777,801
Locally Generated Non-Tax Revenue	79	359	-	2,616	127	14,623	-	-	2,155	225	3,607	97	720	24,608
Revenue from Other Governments	6,734	36,622	-	35,285	-	-	-	-	-	-	-	-	-	78,641
Other Revenues	-	-	-	-	-	-	-	-	-	-	326	-	235	561
Total Revenues	6,813	36,981	52,827	37,901	5,495	14,623	190,623	-	2,155	225	3,933	97	529,938	881,611
Expenditures														
Current Operating:														
Economic Development	-	-	64,947	-	-	-	-	-	-	-	-	-	-	64,947
Transportation:														
Streets & Highways	5,788	26,245	-	-	-	-	-	-	-	-	-	-	-	32,033
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	1,258	-	-	-	-	1,258
Conservation of Health:														
Health Services	-	-	-	-	-	-	183,980	-	-	-	-	-	-	183,980
Housing and Neighborhood Development	-	-	-	44,717	-	32,289	-	-	-	-	-	-	-	77,006
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	2,193	-	-	2,193
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	110	-	-	110
Improvements to General Welfare:														
Service to Property:														
Sanitation	-	7,314	-	-	-	-	-	-	-	-	-	-	-	7,314
General Management and Support	-	500	-	39	-	-	-	-	972	225	2,925	50,495	1,252	56,408
Capital Outlay	-	-	-	-	-	-	-	-	-		-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	5,788	34,059	64,947	44,756	-	32,289	183,980	-	2,230	225	5,228	50,495	1,252	425,249
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,025	2,922	(12,120)	(6,855)	5,495	(17,666)	6,643	-	(75)	-	(1,295)	(50,398)	528,686	456,362
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Discountor or payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Lease & Service Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	18,285	-	-	-	-	1,150	50,525	-	69,960
Transfers Out	-	-	-	-	-	-	(4,500)	-	-	-	-		(528,864)	(533,364)
Total Other Financing Sources (Uses)	-	-	-	-	-	18,285	(4,500)	-	-	-	1,150	50,525	(528,864)	(463,404)
Net Change in Fund Balances	1,025	2,922	(12,120)	(6,855)	5,495	619	2,143	-	(75)	-	(145)	127	(178)	(7,042)
Fund Balance - July 1, 2019	11,061	48,147	15,172	(9,335)	5,034	65,694	20,604	30	3,414	-	11,853	(313)	24,281	195,642
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-		-
Fund Balance Adjusted - July 1, 2019	11,061	48,147	15,172	(9,335)	5,034	65,694	20,604	30	3,414	-	11,853	(313)	24,281	195,642
Fund Balance - June 30, 2020	12,086	51,069	3,052	(16,190)	10,529	66,313	22,747	30	3,339	-	11,708	(186)	24,103	188,600

City of Philadelphia

Schedule II

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds(Continued)

For the Fiscal Year Ended June 30, 2020

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	-	-	-	-	-	-	-	-	777,801
Locally Generated Non-Tax Revenue	6	1	1,252	1,259	-	195	195	348	26,410
Revenue from Other Governments	-	-	-	-	28,157	-	28,157	-	106,798
Other Revenues	-	-	651	651	204	10,000	10,204	-	11,416
Total Revenues	6	1	1,903	1,910	28,361	10,195	38,556	348	922,425
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	64,947
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	32,033
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	1,258
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	183,980
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	77,006
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	-	2,193
Libraries and Museums	-	-	-	-	-	-	-	232	342
Improvements to General Welfare:									
Service to Property:									
Sanitation	-	-	-	-	-	-	-	-	7,314
General Management and Support	-	62	12	74	-	-	-	-	56,482
Capital Outlay	-	-	-	-	211,043		211,043	-	211,043
Debt Service:									
Principal	84,510	4,860	103,390	192,760	-	-	-	-	192,760
Interest	74,732	7,047	4,763	86,542	-	-	-	-	86,542
Bond Issuance Cost	1,225	-	652	1,877	1,906	-	1,906	-	3,783
Total Expenditures	160,467	11,969	108,817	281,253	212,949	-	212,949	232	919,683
Excess (Deficiency) of Revenues Over (Under) Expenditures	(160,461)	(11,968)	(106,914)	(279,343)	(184,588)	10,195	(174,393)	116	2,742
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	-	293,360	-	293,360	-	293,360
Issuance of Refunding Bonds	118,030	-	60,571	178,601	-	-	-	-	178,601
Bond Issuance Premium	-	-	-	-	64,546	-	64,546	-	64,546
Bond Issuance Discountor or payment	-	-	-	-	-	-	-	-	-
Proceeds from Lease & Service Agreements	-	-	2,198	2,198	-	-	-	-	2,198
Payment to Refunded Bonds Escrow Agent	(116,804)	-	(27,014)	(143,818)	-	-	-	-	(143,818)
Transfers In	158,789	11,968	32,921	203,678	9,600	-	9,600	-	283,238
Transfers Out	-	-		-	-	(2,643)	(2,643)	-	(536,007)
Total Other Financing Sources (Uses)	160,015	11,968	68,676	240,659	367,506	(2,643)	364,863	-	142,118
Net Change in Fund Balances	(446)	-	(38,238)	(38,684)	182,918	7,552	190,470	116	144,860
Fund Balance - July 1, 2019	629	48	54,042	54,719	74,487	13,573	88,060	6,920	345,341
Adjustment	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2019	629	48	54,042	54,719	74,487	13,573	88,060	6,920	345,341
Fund Balance - June 30, 2020	183	48	15,804	16,035	257,405	21,125	278,530	7,036	490,201

City of Philadelphia **Schedule III**

Combining Statement of Fiduciary Net Position

Pension Trust Funds

June 30, 2020

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Cash on Deposit and on Hand	22,433	-	22,433
Equity in Treasurer's Account	522,358	5,720,754	6,243,112
Securities Lending Collective Investment Pool	-	391,234	391,234
Allowance for Unrealized Loss	-	3	3
Accounts Receivable	-	5,090	5,090
Due from Brokers for Securities Sold	2,595	212,877	215,472
Interest and Dividends Receivable	1,519	-	1,519
Due from Other Governmental Units	-	9,943	9,943
Due from Other Funds	-	42,732	42,732
Total Assets	548,905	6,382,633	6,931,538
Liabilities			
Vouchers Payable	-	82	82
Accounts Payable	203	-	203
Salaries and Wages Payable	-	174	174
Due on Return of Securities Loaned	-	391,234	391,234
Due to Brokers for Securities Purchased	5,339	204,894	210,233
Accrued Expenses	-	3,120	3,120
Other Liabilities	133	238	371
Total Liabilities	5,675	599,742	605,417
Net Position Restricted for Pensions	543,230	5,782,891	6,326,121

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	29,414	768,721	798,135
Employees' Contributions	1,519	111,825	113,344
Total Contributions	30,933	880,546	911,479
Investment Income:			
Interest and Dividends	13,575	129,982	143,557
Net Gain (Decline) in Fair Value of Investments	2,219	(38,084)	(35,865)
(Less) Investments Expenses	(1,508)	(6,670)	(8,178)
Securities Lending Revenue	-	2,069	2,069
(Less) Securities Lending Expenses	-	(310)	(310)
Net Investment Gain	14,286	86,987	101,273
Miscellaneous Operating Revenues	-	164	164
Total Additions	45,219	967,697	1,012,916
Deductions			
Personal Services	-	3,878	3,878
Purchase of Services	-	1,685	1,685
Materials and Supplies	-	35	35
Employee Benefits	-	5,302	5,302
Pension Benefits	55,061	853,919	908,980
Refunds of Members' Contributions	-	8,279	8,279
Administrative Expenses Paid	168	-	168
Other Operating Expenses		91	91
Total Deductions	55,229	873,189	928,418
Change in Net Position	(10,010)	94,508	84,498
Net Position - July 1, 2019	553,240	5,688,383	6,241,623
Net Position - June 30, 2020	543,230	5,782,891	6,326,121

City of Philadelphia

Schedule V

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2020

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	147,606	147,606
Equity in Treasurer's Account	32,519	35,590	-	68,109
Investments	-	-	2,470	2,470
Due from Other Funds	-	-	699	699
Total Assets	32,519	35,590	150,775	218,884
Liabilities				
Vouchers Payable	49	29	-	78
Payroll Taxes Payable	-	23,207	-	23,207
Funds Held in Escrow	32,470	12,354	150,775	195,599
Total Liabilities	32,519	35,590	150,775	218,884
Net Position	-	-	-	-

Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Balance 7-1-2019	Additions	Deductions	Balance 6-30-2020
Escrow Fund				
Assets				
Equity in Treasurer's Account	75,378	550,960	593,819	32,519
Liabilities				
Funds Held in Escrow	74,415	550,994	592,939	32,470
Vouchers Payable	963	50,422	51,336	49
Total Liabilities	75,378	601,416	644,275	32,519
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	37,685	1,041,247	1,043,342	35,590
Liabilities				
Vouchers Payable	1	9,073	9,045	29
Payroll Taxes Payable	23,654	1,092,586	1,093,033	23,207
Funds Held in Escrow	14,030	84,843	86,519	12,354
Total Liabilities	37,685	1,186,502	1,188,597	35,590
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	126,384	426,651	405,429	147,606
Investments	2,439	31	-	2,470
Due from Other Funds	699	-	-	699
Total Assets	129,522	426,682	405,429	150,775
Liabilities				
Funds Held in Escrow	129,522	426,682	405,429	150,775
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	126,384	426,651	405,429	147,606
Equity in Treasurer's Account	113,063	1,592,207	1,637,161	68,109
Investments	2,439	31	-	2,470
Due from Other Funds	699	-	-	699
Total Assets	242,585	2,018,889	2,042,590	218,884
Liabilities				
Vouchers Payable	964	59,495	60,381	78
Payroll Taxes Payable	23,654	1,092,586	1,093,033	23,207
Funds Held in Escrow	217,967	1,062,519	1,084,887	195,599
Total Liabilities	242,585	2,214,600	2,238,301	218,884

City of Philadelphia **Schedule VII**

City Related Schedule of Bonded Debt Outstanding

June 30, 2020

Amounts in USD

	Date of Issuance	Issued	Fiscal 2020 Outstanding	Maturities	Interest Rates	FY 2021 Debt Service Requirements Interest	Principal
Governmental Activities							
General Obligation Bonds:							
Series 2009B (Refunding)	8/13/2009 [1]	100,000,000	100,000,000	8/2027 to 8/2031	variable	3,811,384	-
Series 2011	4/19/2011	139,150,000	5,870,000	8/2020 to 8/2021	5.00 to 6.50	217,788	2,860,000
Series 2011 (Refunding)	4/19/2011	114,570,000	9,825,000	8/2020	3.00 to 5.25	213,038	9,825,000
Series 2012A (Refunding)	5/8/2012	21,295,000	10,040,000	9/2020 to 9/2021	5.00	502,000	-
Series 2013A	7/30/2013	201,360,000	16,585,000	7/2020 to 7/2021	5.00	627,125	8,085,000
Series 2014A (Refunding)	2/6/2014	154,275,000	141,850,000	7/2020 to 7/2038	5.00 to 5.25	7,135,213	4,535,000
Series 2015A (Refunding)	7/8/2015	138,795,000	113,525,000	8/2020 to 8/2031	5.00	5,472,750	8,140,000
Series 2015B	9/30/2015	191,585,000	166,790,000	8/2020 to 8/2035	4.00 to 5.00	7,878,950	6,990,000
Series 2017 (Refunding)	2/2/2017	262,865,000	243,200,000	8/2020 to 8/2041	4.00 to 5.00	11,667,100	9,760,000
Series 2017A	8/2/2017	250,845,000	235,425,000	8/2020 to 8/2037	5.00	11,564,500	8,270,000
Series 2017A (Refunding)	8/2/2017	80,770,000	80,770,000	8/2021 to 8/2036	5.00	4,038,500	-
Series 2019A (Refunding)	5/14/2019	188,660,000	188,660,000	8/2020 to 8/2031	5.00	8,966,625	18,655,000
Series 2019B	8/8/2019	293,360,000	293,360,000	2/2021 to 2/2039	5.00	14,668,000	9,605,000
Series 2020A (Refunding)	1/16/2020	118,030,000	118,030,000	7/2020 to 7/2033	1.72 to 3.01	3,025,814	1,385,000
Total New Money Bonds		1,076,300,000	718,030,000			34,956,363	35,810,000
Total Refunding Bonds		1,179,260,000	1,005,900,000			44,832,423	52,300,000
Total General Obligation Bonds		2,255,560,000	1,723,930,000			79,788,785	88,110,000
Business Type Activities							
Revenue Bonds							
Water and Sewer Revenue Bonds:							
Series 1997B	11/25/1997 [2]	100,000,000	41,200,000	8/2020 to 8/2027	variable	39,187	4,400,000
Series 2009B	10/14/2009	31,216,779	17,023,900	7/2020 to 6/2033	1.193	346,850	1,231,123
Series 2009C	10/14/2009	49,157,776	29,405,657	7/2020 to 6/2033	1.193	598,636	2,176,804
Series 2009D	3/31/2010	75,744,096	45,780,493	7/2020 to 6/2033	1.193	930,664	3,526,956
Series 2010B	6/17/2010	30,000,000	21,024,289	7/2020 to 6/2033	1.193	429,607	1,390,299
Series 2010C	8/5/2010	185,000,000	4,275,000	8/2020 to 8/2035	3.00 to 5.00	130,388	3,230,000
Series 2011A	11/16/2011	135,000,000	135,000,000	1/2033 to 1/2041	5.00	6,737,000	-
Series 2011B (Refunding)	11/16/2011	49,855,000	12,600,000	11/2020 to 11/2026	5.00	587,750	1,690,000
Series 2012 (Refunding)	11/1/2012	70,370,000	34,400,000	11/2028	5.00	1,720,000	-
Series 2013A	8/22/2013	170,000,000	128,880,000	1/2021 to 1/2043	4.00 to 5.125	6,454,150	31,880,000
Series 2014 (Refunding)	1/23/2014	93,170,000	67,700,000	7/2020 to 7/2027	3.00 to 5.00	3,121,750	7,140,000
Series 2014	1/23/2014	30,000,000	30,000,000	7/2041 to 7/2043	5.00	1,500,000	-
Series 2015A	4/16/2015	275,820,000	275,820,000	7/2036 to 7/2045	5.00	13,791,000	-
Series 2015B (Refunding)	4/16/2015	141,740,000	131,375,000	7/2020 to 7/2033	4.00 to 5.00	6,019,350	10,900,000
Series 2016 (Refunding)	11/3/2016	192,680,000	177,985,000	10/2020 to 10/2035	3.00 to 5.00	8,290,313	3,975,000

City of Philadelphia **Schedule VII**

City Related Schedule of Bonded Debt Outstanding

June 30, 2020

Amounts in USD

	Date of Issuance	Issued	Fiscal 2020 Outstanding	Maturities	Interest Rates	FY 2021 Debt Service Requirements Interest	Principal
Series 2017A	4/13/2017	279,865,000	239,865,000	10/2020 to 10/2052	5.00 to 5.25	12,116,125	-
Series 2017B (Refunding)	8/10/2017	174,110,000	171,205,000	11/2020 to 10/2034	5.00	8,410,750	5,980,000
Series 2018A	11/28/2018	276,935,000	266,935,000	10/2020 to 10/2053	5.00	13,096,750	10,000,000
Series 2019A (Refunding)	2/27/2019	68,335,000	68,335,000	10/2020 to 10/2040	2.83 to 4.29	2,698,094	340,000
Series 2019B	8/14/2019	250,660,000	250,660,000	11/2023 to 11/2054	5.00	12,533,000	-
Total New Money Bonds		1,889,398,651	1,485,869,339			68,703,356	57,835,183
Total Refunding Bonds		790,260,000	663,600,000			30,848,006	30,025,000
Total Water Revenue Bonds		2,679,658,651	2,149,469,339			99,551,362	87,860,183
Aviation Revenue Bonds:							
Series 2005C (Refunding)	6/2/2005 [1]	189,500,000	74,100,000	6/2021 to 6/2025	variable	2,174,630	13,700,000
Series 2010A	11/15/2010	273,065,000	232,235,000	6/2021 to 6/2040	3.75 to 5.25	11,662,963	7,005,000
Series 2010D (Refunding)	11/15/2010	272,475,000	132,705,000	6/2021 to 6/2028	4.00 to 5.25	6,916,000	19,475,000
Series 2011A (Refunding)	12/14/2011	199,040,000	138,075,000	6/2021 to 6/2028	4.625 to 5.00	6,848,156	8,540,000
Series 2011B (Refunding)	12/14/2011	34,790,000	21,915,000	6/2021 to 6/2031	3.375 to 5.00	974,500	1,615,000
Series 2015A (Refunding)	9/3/2015	97,780,000	80,320,000	6/2021 to 6/2035	4.00 to 5.00	3,930,450	3,735,000
Series 2017	4/27/2017	125,000,000	120,450,000	7/2020 to 4/2022	2.797	3,307,196	2,410,000
Series 2017A (Refunding)	12/20/2017	138,630,000	132,155,000	7/2020 to 7/2047	3.00 to 5.00	6,077,044	4,270,000
Series 2017B (Refunding)	12/20/2017	553,900,000	537,830,000	7/2020 to 7/2047	5.00	26,632,750	10,350,000
Total New Money Bonds		398,065,000	352,685,000			14,970,159	9,415,000
Total Refunding Bonds		1,486,115,000	1,117,100,000			53,553,530	61,685,000
Total Aviation Revenue Bonds		1,884,180,000	1,469,785,000			68,523,689	71,100,000
Total Revenue Bonds		4,563,838,651	3,619,254,339			168,075,051	158,960,183
Total All Bonds		6,819,398,651	5,343,184,339			247,863,836	247,070,183

NOTES:

[1] Assumes interest rate to be fixed swap rate on hedged variable rate bonds

[2] Based on latest available estimated rates at June 30, 2020

City of Philadelphia **Schedule VIII**

Budgetary Comparison Schedule

Water Operating Fund

For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	703,269	703,727	710,318	6,591
Revenue from Other Governments	1,000	1,000	860	(140)
Revenue from Other Funds	122,278	111,489	68,583	(42,906)
Total Revenues	826,547	816,216	779,761	(36,455)
Expenditures and Encumbrances				
Personal Services	152,931	152,931	150,765	2,166
Pension Contributions	81,640	81,790	87,299	(5,509)
Other Employee Benefits	65,799	65,649	57,761	7,888
Sub-Total Employee Compensation	300,370	300,370	295,825	4,545
Purchase of Services	203,207	210,207	184,960	25,247
Materials and Supplies	52,378	52,263	46,481	5,782
Equipment	10,366	10,481	7,578	2,903
Contributions, Indemnities and Taxes	8,120	8,120	4,410	3,710
Debt Service	218,106	218,106	206,392	11,714
Payments to Other Funds	74,000	74,000	60,976	13,024
Total Expenditures and Encumbrances	866,547	873,547	806,622	66,925
Operating Surplus (Deficit) for the Year	(40,000)	(57,331)	(26,861)	30,470
Fund Balance Available for Appropriation, July 1, 2019	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	40,000	40,000	26,861	(13,139)
Adjusted Fund Balance, July 1, 2019	40,000	40,000	26,861	(13,139)
Fund Balance Available for Appropriation, June 30, 2020	-	(17,331)	-	17,331

Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	50	-	447	447
Revenue from Other Funds	37,000	37,000	34,965	(2,035)
Total Revenues	37,050	37,000	35,412	(1,588)
Expenditures and Encumbrances				
Payments to Other Funds	33,000	34,994	34,994	-
Advances, Subsidies, Miscellaneous	4,000	2,006	-	2,006
Total Expenditures and Encumbrances	37,000	37,000	34,994	2,006
Operating Surplus (Deficit) for the Year	50	-	418	418
Fund Balance Available for Appropriation, July 1, 2019	15,433	15,344	15,665	321
Fund Balance Available for Appropriation, June 30, 2020	15,483	15,344	16,083	739

City of Philadelphia **Schedule X**
Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Revenue from Other Governments	8,524	8,524	6,813	(1,711)
Total Revenues	8,524	8,524	6,813	(1,711)
Expenditures and Encumbrances				
Personal Services	3,734	3,734	2,731	1,003
Purchase of Services	3,320	3,320	3,081	239
Materials and Supplies	200	200	-	200
Payments to Other Funds	19	19	14	5
Total Expenditures and Encumbrances	7,273	7,273	5,826	1,447
Operating Surplus (Deficit) for the Year	1,251	1,251	987	(264)
Fund Balance Available for Appropriation, July 1, 2019	10,718	10,020	10,020	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	25	25	156	131
Adjusted Fund Balance, July 1, 2019	10,743	10,045	10,176	131
Fund Balance Available for Appropriation, June 30, 2020	11,994	11,296	11,163	(133)

City of Philadelphia **Schedule XI**

Budgetary Comparison Schedule

Special Gasoline Tax Fund

For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	-	-	358	358
Revenue from Other Governments	34,500	34,500	36,622	2,122
Total Revenues	34,500	34,500	36,980	2,480
Expenditures and Encumbrances				
Personal Services	6,795	11,461	10,009	1,452
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	7,795	12,461	11,009	1,452
Purchase of Services	16,729	17,035	17,467	(432)
Materials and Supplies	5,962	4,357	3,837	520
Equipment	6,424	6,468	6,168	300
Payments to Other Funds	30	30	11	19
Total Expenditures and Encumbrances	36,940	40,351	38,492	1,859
Operating Surplus (Deficit) for the Year	(2,440)	(5,851)	(1,512)	4,339
Fund Balance Available for Appropriation, July 1, 2019	32,904	41,612	41,612	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	500	500	1,921	1,421
Adjusted Fund Balance, July 1, 2019	33,404	42,112	43,533	1,421
Fund Balance Available for Appropriation, June 30, 2020	30,964	36,261	42,021	5,760

Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	77,562	61,770	52,827	(8,943)
Total Revenues	77,562	61,770	52,827	(8,943)
Expenditures and Encumbrances				
Contributions, Indemnities and Taxes	77,562	77,562	77,562	-
Total Expenditures and Encumbrances	77,562	77,562	77,562	-
Operating Surplus (Deficit) for the Year	-	(15,792)	(24,735)	(8,943)
Fund Balance Available for Appropriation, July 1, 2019	7,390	8,220	8,220	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	1,504	1,504
Adjusted Fund Balance, July 1, 2019	7,390	8,220	9,724	1,504
Fund Balance Available for Appropriation, June 30, 2020	7,390	(7,572)	(15,011)	(7,439)

City of Philadelphia **Schedule XIII**
Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	497,797	449,480	359,692	(89,788)
Revenue from Other Governments	2,913	56,704	57,491	787
Revenue from Other Funds	1,527	1,527	1,333	(194)
Total Revenues	502,237	507,711	418,516	(89,195)
Expenditures and Encumbrances				
Personal Services	87,641	88,606	85,496	3,110
Pension Contributions	38,695	41,481	41,051	430
Other Employee Benefits	27,366	24,580	24,041	539
Sub-Total Employee Compensation	153,702	154,667	150,588	4,079
Purchase of Services	139,192	139,192	117,325	21,867
Materials and Supplies	9,373	9,373	6,071	3,302
Equipment	8,159	8,159	4,806	3,353
Contributions, Indemnities and Taxes	8,812	8,812	5,525	3,287
Debt Service	134,825	134,825	123,448	11,377
Payments to Other Funds	20,023	20,023	7,541	12,482
Total Expenditures and Encumbrances	474,086	475,051	415,304	59,747
Operating Surplus (Deficit) for the Year	28,151	32,660	3,212	(29,448)
Fund Balance Available for Appropriation, July 1, 2019	123,806	179,117	179,117	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	15,000	15,000	16,281	1,281
Adjusted Fund Balance, July 1, 2019	138,806	194,117	195,398	1,281
Fund Balance Available for Appropriation, June 30, 2020	166,957	226,777	198,610	(28,167)

Schedule XIV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	500	500	2,616	2,116
Revenue from Other Governments	104,642	84,642	33,587	(51,055)
Total Revenues	105,142	85,142	36,203	(48,939)
Other Sources				
Decrease in Financed Reserves	-	-	9,804	9,804
Total Revenues and Other Sources	105,142	85,142	46,007	(39,135)
Expenditures and Encumbrances				
Personal Services	7,204	7,206	4,770	2,436
Pension Contributions	3,034	3,024	2,469	555
Other Employee Benefits	2,009	2,018	1,457	561
Sub-Total Employee Compensation	12,247	12,248	8,696	3,552
Purchase of Services	72,615	72,615	48,541	24,074
Materials and Supplies	200	135	99	36
Equipment	55	121	53	68
Payments to Other Funds	25	25	24	1
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	105,142	105,144	57,413	47,731
Operating Surplus (Deficit) for the Year	-	(20,002)	(11,406)	8,596
Fund Balance Available for Appropriation, July 1, 2019	-	(8,386)	(9,335)	(949)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	4,551	4,551
Prior Period Adjustments	-	8,386	-	(8,386)
Adjusted Fund Balance, July 1, 2019	-	-	(4,784)	(4,784)
Fund Balance Available for Appropriation, June 30, 2020	-	(20,002)	(16,190)	3,812

City of Philadelphia **Schedule XV**
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	6,272	5,920	5,369	(551)
Locally Generated Non-Tax Revenue	25	50	127	77
Total Revenues	6,297	5,970	5,496	(474)
Expenditures and Encumbrances				
Purchase of Services	7,000	7,000	-	7,000
Total Expenditures and Encumbrances	7,000	7,000	-	7,000
Operating Surplus (Deficit) for the Year	(703)	(1,030)	5,496	6,526
Fund Balance Available for Appropriation, July 1, 2019	4,727	5,034	5,034	-
Fund Balance Available for Appropriation, June 30, 2020	4,024	4,004	10,530	6,526

City of Philadelphia
Schedule XVI
Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	14,745	13,582	14,623	1,041
Revenue from Other Funds	13,285	13,285	18,285	5,000
Total Revenues	28,030	26,867	32,908	6,041
Expenditures and Encumbrances				
Personal Services	2,250	2,250	458	1,792
Purchase of Services	66,166	66,166	48,909	17,257
Total Expenditures and Encumbrances	68,416	68,416	49,367	19,049
Operating Surplus (Deficit) for the Year	(40,386)	(41,549)	(16,459)	25,090
Fund Balance Available for Appropriation, July 1, 2019	20,831	34,451	34,451	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	12,000	12,000	6,676	(5,324)
Revenue Adjustments - Net	-	-	-	-
Prior Period Adjustments	7,555	-	-	-
Other Adjustments	-	-	-	-
Adjusted Fund Balance, July 1, 2019	40,386	46,451	41,127	(5,324)
Fund Balance Available for Appropriation, June 30, 2020	-	4,902	24,668	19,766

City of Philadelphia
Schedule XVII

Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	751,009	751,159	118	(751,041)
Revenue from Other Governments	643,539	643,689	28,865	(614,824)
Revenue from Other Funds	167,678	167,828	9,600	(158,228)
Total Revenues	1,562,226	1,562,676	38,583	(1,524,093)
Other Sources (Uses)				
Increase in Unreimbursed Committments	-	-	771	771
Proceeds from Bond Sales	-	-	356,000	356,000
Total Revenues and Other Sources	1,562,226	1,562,676	395,354	(1,167,322)
Expenditures and Encumbrances				
Capital Outlay	1,562,226	1,562,676	210,133	1,352,543
Operating Surplus (Deficit) for the Year	-	-	185,221	185,221
Fund Balance Available for Appropriation, July 1, 2019	-	-	(191,219)	(191,219)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	7,593	7,593
Adjusted Fund Balance, July 1, 2019	-	-	(183,626)	(183,626)
Fund Balance Available for Appropriation, June 30, 2020	-	-	1,595	1,595

Amounts in thousands of USD

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Final Budget to Actual Positive (Negative)
Revenues				
Tax Revenue	317,000	235,707	190,623	(45,084)
Total Revenues	317,000	235,707	190,623	(45,084)
Other Sources				
Increase in Unreimbursed Committments	-	-	504	504
Total Revenues and Other Sources	317,000	235,707	191,127	(44,580)
Expenditures and Encumbrances				
Personal Services	8,521	8,521	3,828	4,693
Pension Contributions	30	42	-	42
Other Employee Benefits	238	225	-	225
Sub-Total Employee Compensation	8,789	8,788	3,828	4,960
Purchase of Services	304,898	304,898	180,017	124,881
Materials and Supplies	1,354	1,354	78	1,276
Equipment	-	-	584	(584)
Payments to Other Funds	4,500	4,500	4,500	-
Total Expenditures and Encumbrances	319,541	319,540	189,007	130,533
Operating Surplus (Deficit) for the Year	(2,541)	(83,833)	2,120	85,953
Fund Balance Available for Appropriation, July 1, 2019	2,204	20,604	20,604	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	2,000	2,000	23	(1,977)
Adjusted Fund Balance, July 1, 2019	4,204	22,604	20,627	(1,977)
Fund Balance Available for Appropriation, June 30, 2020	1,663	(61,229)	22,747	83,976

City of Philadelphia **Schedule XIX**
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
Amounts in thousands of USD
For the Fiscal Year Ended June 30, 2020 (with comparative actual amounts for the Fiscal Year Ended June 30, 2019)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2020 Actual	Positive (Negative)	FY 2019 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	653,359	653,930	671,767	17,837	658,208	13,559
Prior Years	37,565	37,565	27,283	(10,282)	38,395	(11,112)
Total Real Property Tax	690,924	691,495	699,050	7,555	696,603	2,447
Wage and Earnings Taxes:						
Current	1,628,251	1,597,922	1,591,884	(6,038)	1,577,549	14,335
Prior Years	5,400	5,400	7,278	1,878	4,350	2,928
Total Wage and Earnings Taxes	1,633,651	1,603,322	1,599,162	(4,160)	1,581,899	17,263
Business Taxes:						
Business Income & Receipts Taxes:						
Current	462,317	479,049	494,888	15,839	506,653	(11,765)
Prior Years	35,000	35,000	39,351	4,351	34,220	5,131
Total Business Income & Receipts Taxes	497,317	514,049	534,239	20,190	540,873	(6,634)
Net Profits Tax:						
Current	33,544	31,888	22,539	(9,349)	29,455	(6,916)
Prior Years	4,700	4,700	6,667	1,967	6,353	314
Total Net Profits Tax	38,244	36,588	29,206	(7,382)	35,808	(6,602)
Total Business Taxes	535,561	550,637	563,445	12,808	576,681	(13,236)
Other Taxes:						
Sales Tax	227,856	194,202	204,591	10,389	224,199	(19,608)
Amusement Tax	28,919	18,500	18,446	(54)	26,406	(7,960)
Beverage Tax	75,881	65,758	69,921	4,163	76,855	(6,934)
Real Property Transfer Tax	339,271	313,474	319,794	6,320	328,446	(8,652)
Parking Lot Tax	100,192	80,699	77,266	(3,433)	99,312	(22,046)
Smokeless Tobacco	986	962	1,056	94	957	99
Miscellaneous Taxes	3,251	3,743	3,214	(529)	3,482	(268)
Total Other Taxes	776,356	677,338	694,288	16,950	759,657	(65,369)
Total Taxes	3,636,492	3,522,792	3,555,945	33,153	3,614,840	(58,895)
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	3,732	3,150	2,637	(513)	3,182	(545)
Licenses and Permits	68,061	62,640	65,020	2,380	71,993	(6,973)
Fines, Forfeits, Penalties, Confiscated Money and Property	19,385	15,235	17,684	2,449	18,814	(1,130)
Interest Income	8,418	13,635	18,320	4,685	18,573	(253)
Service Charges and Fees	153,478	184,432	189,144	4,712	169,834	19,310
Other	100,254	83,085	72,308	(10,777)	66,666	5,642
Total Locally Generated Non-Tax Revenue	353,328	362,177	365,113	2,936	349,062	16,051
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	45,782	119,157	86,127	(33,030)	21,961	64,166
Commonwealth of Pennsylvania:						
Grants and Other Payments	235,678	217,538	214,504	(3,034)	214,802	(298)
Other Governmental Units	563,712	548,294	557,908	9,614	567,935	(10,027)
Total Revenue from Other Governments	845,172	884,989	858,539	(26,450)	804,698	53,841
Revenue from Other Funds	83,011	90,476	53,995	(36,481)	51,677	2,318
Total Revenues	4,918,003	4,860,434	4,833,592	(26,842)	4,820,277	13,315

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2020 (with comparative actual amounts for the Fiscal Year Ended June 30, 2019)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2020 Actual	Positive (Negative)	FY 2019 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	17,928	18,679	17,406	1,273	16,537	869
Mayor's Office:						
Mayor's Office	6,114	6,298	6,137	161	5,460	677
Scholarships	200	201	201	-	157	44
Mural Arts Program	2,500	2,545	2,130	415	2,367	(237)
Labor Relations	2,455	2,511	2,217	294	1,770	447
Chief Administratvie Office	7,438	7,520	6,765	755	5,996	769
Community Schools & Pre-K	45,350	45,350	43,089	2,261	26,141	16,948
Community Services	90	91	91	-	88	3
Inspector General	1,680	1,742	1,497	245	1,514	(17)
Sustainability	1,213	1,226	1,226	-	956	270
Office of Information Technology	112,434	117,206	95,894	21,312	78,605	17,289
Office of Property Assessment	17,318	17,318	14,711	2,607	13,935	776
Law	16,085	16,400	16,573	(173)	15,463	1,110
Board of Ethics	1,102	1,102	969	133	926	43
City Planning Commission	-	-	-	-	-	-
Commission on Human Relations	2,386	2,401	2,333	68	2,127	206
Arts & Culture	4,098	4,419	4,375	44	4,310	65
Board of Revision of Taxes	1,061	1,106	1,106	-	978	128
Department of Planning & Development	11,811	18,252	18,252	-	12,482	5,770
Total General Government	251,263	264,367	234,972	29,395	189,812	45,160
Operation of Service Departments						
Housing	-	-	-	-	-	-
Managing Director	106,219	197,059	155,916	41,143	96,879	59,037
Police	741,165	772,964	774,399	(1,435)	727,905	46,494
Streets	157,033	181,810	174,845	6,965	159,471	15,374
Fire	298,549	330,755	330,900	(145)	309,672	21,228
Public Health	160,572	162,121	168,574	(6,453)	142,684	25,890
Office-Behavioral Health/Mental Retardation	15,895	15,911	15,911	-	17,115	(1,204)
Parks and Recreation	65,058	67,683	64,969	2,714	67,144	(2,175)
Atwater Kent Museum	-	-	-	-	250	(250)
Public Property	209,920	214,542	209,916	4,626	202,181	7,735
Department of Human Services	118,965	119,168	112,544	6,624	107,447	5,097
Philadelphia Prisons	238,184	252,668	243,999	8,669	237,043	6,956
Office of Supportive Housing	59,946	60,822	60,113	709	56,770	3,343
Office of Fleet Management	67,401	67,401	64,349	3,052	64,304	45
Licenses and Inspections	41,283	42,392	38,894	3,498	38,312	582
Board of L & I Review	174	174	137	37	140	(3)
Board of Building Standards	80	80	80	-	84	(4)
Zoning Board of Adjustment	-	-	-	-	-	-
Records	4,910	4,942	4,221	721	4,382	(161)
Philadelphia Historical Commission	-	-	-	-	-	-
Art Museum	2,550	2,550	2,550	-	2,550	-
Philadelphia Free Library	45,760	46,269	46,269	-	42,596	3,673
Total Operations of Service Departments	2,333,664	2,539,311	2,468,586	70,725	2,276,929	191,657
Financial Management						
Office of Director of Finance	71,320	35,702	16,950	18,752	38,298	(21,348)
Department of Revenue	32,879	33,229	30,322	2,907	31,623	(1,301)
Sinking Fund Commission	296,705	296,705	266,354	30,351	256,996	9,358
Procurement	5,675	5,704	5,084	620	5,026	58
City Treasurer	1,483	1,510	1,456	54	1,652	(196)
Audit of City Operations	9,384	9,984	9,984	-	9,051	933
Total Financial Management	417,446	382,834	330,150	52,684	342,646	(12,496)

City of Philadelphia

Schedule XIX

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
Amounts in thousands of USD
For the Fiscal Year Ended June 30, 2020 (with comparative actual amounts for the Fiscal Year Ended June 30, 2019)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2020 Actual	Positive (Negative)	FY 2019 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,411,963	1,411,963	1,371,238	40,725	1,371,075	163
Community College of Philadelphia	33,759	36,059	36,059	-	30,409	5,650
Hero Award	25	25	-	25	-	-
Refunds	250	250	12	238	19	(7)
Indemnities	49,246	25	-	25	-	-
Office of Risk Management	3,380	3,595	3,526	69	3,230	296
Witness Fees	172	172	43	129	99	(56)
Payments to Capital	28,285	81,285	63,000	18,285	72,129	(9,129)
Payments to Housing Trust	34,276	34,276	18,285	15,991	29,131	(10,846)
Payments to Budget Stabilization	-	-	34,276	(34,276)	20,000	14,276
Contribution to School District	222,456	227,106	227,106	-	180,871	46,235
Total City-Wide Under Director of Finance	1,783,812	1,794,756	1,753,545	41,211	1,706,963	46,582
Promotion and Public Relations						
City Representative	1,250	1,285	1,029	256	1,034	(5)
Commerce	32,523	32,959	30,882	2,077	43,583	(12,701)
Total Promotion and Public Relations	33,773	34,244	31,911	2,333	44,617	(12,706)
Personnel						
Civic Service Commission	205	205	191	14	199	(8)
Personnel Director	6,874	6,890	5,965	925	5,695	270
Total Personnel	7,079	7,095	6,156	939	5,894	262
Administration of Justice						
Register of Wills	4,552	4,892	4,892	-	4,369	523
District Attorney	38,909	45,282	45,282	-	42,281	3,001
Sheriff	27,047	30,280	30,280	-	29,153	1,127
First Judicial District	114,136	115,880	115,924	(44)	112,102	3,822
Total Administration of Justice	184,644	196,334	196,378	(44)	187,905	8,473
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,367	653	653	-	1,136	(483)
Conduct of Elections						
City Commissioners	12,217	13,060	14,183	(1,123)	16,487	(2,304)
Total Obligations	5,025,265	5,232,654	5,036,534	196,120	4,772,389	264,145
Operating Surplus (Deficit) for the Year	(107,262)	(372,220)	(202,942)	169,278	47,888	(250,830)

City of Philadelphia **Schedule XX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Water Operating Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2020 (with comparative actual amounts for the Fiscal Year Ended June 30, 2019)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2020 Actual	Positive (Negative)	FY 2019 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	598,975	583,726	592,511	8,785	600,287	(7,776)
Sales and Charges - Prior Years	36,128	40,750	39,195	(1,555)	38,949	246
Fire Service Connections	3,509	3,559	3,690	131	3,598	92
Surcharges	5,300	4,647	4,957	310	4,699	258
Fines and Penalties	235	293	348	55	279	69
Miscellaneous Charges	2,026	2,233	2,571	338	2,113	458
Charges to Other Municipalities	38,544	39,050	39,326	276	39,515	(189)
Licenses and Permits	4,640	6,462	5,039	(1,423)	6,500	(1,461)
Interest Income	1,500	3,100	3,256	156	3,724	(468)
Fleet Management - Sale of Vehicles & Equipment	80	10	19	9	18	1
Contributions from Sinking Fund Reserve	7,500	14,500	12,000	(2,500)	-	12,000
Reimbursement of Expenditures	197	180	1,794	1,614	200	1,594
Repair Loan Program	3,333	4,317	4,678	361	4,365	313
Other	1,302	900	933	33	955	(22)
Total Locally Generated Non-Tax Revenue	703,269	703,727	710,317	6,590	705,202	5,115
Revenue from Other Governments						
State	1,000	1,000	860	(140)	698	162
Federal	-	-	-	-	-	-
Total Revenue from Other Governments	1,000	1,000	860	(140)	698	162
Revenue from Other Funds	122,278	111,489	68,583	(42,906)	39,967	28,616
Total Revenues	826,547	816,216	779,760	(36,456)	745,867	33,893
Obligations						
Mayor's Office of Information Services	30,850	30,850	23,528	7,322	23,718	(190)
Managing Director's Office	139	139	139	-	139	-
Public Property	4,270	4,270	4,270	-	4,266	4
Office of Fleet Management	8,847	8,847	7,358	1,489	7,434	(76)
Water Department	427,602	438,512	399,811	38,701	396,581	3,230
Office of the Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	81,600	87,299	87,299	-	78,857	8,442
Other Employee Benefits	65,839	60,140	58,174	1,966	54,912	3,262
Contributions, Indemnities and Taxes	7,500	3,590	-	3,590	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Department of Revenue	17,473	17,473	15,590	1,883	15,816	(226)
Sinking Fund Commission	218,106	218,106	206,392	11,714	190,908	15,484
Procurement Department	105	105	72	33	90	(18)
Law	3,304	3,304	3,302	2	3,303	(1)
Mayor's Office of Sustainability	94	94	94	-	94	-
Water, Sewer and Stormwater Rate Board	818	818	592	226	170	422
Total Obligations	866,547	873,547	806,621	66,926	776,288	30,333
Operating Surplus (Deficit) for the Year	(40,000)	(57,331)	(26,861)	30,470	(30,421)	3,560

City of Philadelphia **Schedule XXI**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Aviation Operating Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2020 (with comparative actual amounts for the Fiscal Year Ended June 30, 2019)

	Budgeted Amounts Original	Budgeted Amounts Final	FY 2020 Actual	Final Budget to Actual Positive (Negative)	FY 2019 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	59,489	48,360	50,748	2,388	62,350	(11,602)
Space Rentals	175,153	172,086	112,032	(60,054)	143,837	(31,805)
Landing Fees	105,431	97,389	70,929	(26,460)	91,839	(20,910)
Parking	45,402	33,603	35,079	1,476	37,426	(2,347)
Car Rentals	25,562	14,945	16,932	1,987	19,761	(2,829)
Payment in Aid - Terminal Building				-		-
Interest Earnings	2,095	4,100	9,852	5,752	3,334	6,518
Sale of Utilities	4,693	2,077	2,340	263	2,773	(433)
Passenger Facility Charge	35,754	31,200	31,200	-	31,189	11
Overseas Terminal Facility Charges	25	-	8	8	9	(1)
International Terminal Charge	39,580	19,683	22,422	2,739	40,941	(18,519)
Other	4,613	26,037	8,150	(17,887)	22,184	(14,034)
Total Locally Generated Non-Tax Revenue	497,797	449,480	359,692	(89,788)	455,643	(95,951)
Revenue from Other Governments						
State	-	-	-	-	-	-
Federal	2,913	56,704	57,491	787	1,061	56,430
Total Revenue from Other Governments	2,913	56,704	57,491	787	1,061	56,430
Revenue from Other Funds	1,527	1,527	1,333	(194)	1,409	(76)
Total Revenue	502,237	507,711	418,516	(89,195)	458,113	(39,597)
Obligations						
Mayor's Office of Information Services	2,999	2,999	1,380	1,619	1,368	12
Managing Director	-	-	-	-	-	-
Police	18,032	18,032	17,692	340	16,998	694
Fire	9,320	10,285	9,570	715	8,929	641
Public Property	26,900	26,900	20,091	6,809	19,808	283
Office of Fleet Management	8,401	8,401	6,127	2,274	7,218	(1,091)
Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	38,680	41,466	41,051	415	38,229	2,822
Other Employee Benefits	27,381	24,595	24,041	554	24,483	(442)
Purchase of Services	4,146	4,146	2,614	1,532	2,672	(58)
Contributions, Indemnities and Taxes	2,512	1,172	-	1,172	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Sinking Fund Commission	134,826	134,826	123,448	11,378	133,410	(9,962)
Procurement	-	-	-	-	-	-
Commerce	199,188	200,528	167,592	32,936	182,047	(14,455)
Law	1,607	1,607	1,604	3	1,604	-
Mayor's Office of Transportation	-	-	-	-	-	-
Mayor's Office of Sustainability	94	94	94	-	94	-
Total Obligations	474,086	475,051	415,304	59,747	436,860	(21,556)
Operating Surplus (Deficit) for the Year	28,151	32,660	3,212	(29,448)	21,253	(18,041)

City of Philadelphia **Schedule XXII**

Budgetary Comparison Schedule

Budget Stabilization Fund

For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Revenue from Other Funds	34,132	34,276	34,276	-
Total Revenues	34,132	34,276	34,276	-
Expenditures and Encumbrances				
Purchase of Services	-	-	-	-
Payments to Other Funds	-	-	-	-
Total Expenditures and Encumbrances	-	-	-	-
Operating Surplus (Deficit) for the Year	34,132	34,276	34,276	-
Fund Balance Available for Appropriation, July 1, 2019	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	-	-
Adjusted Fund Balance, July 1, 2019	-	-	-	-
Fund Balance Available for Appropriation, June 30, 2020	34,132	34,276	34,276	-

Statistical Section

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue source, the wage and earnings tax. Property tax information is also presented.

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.

Demographic & Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These tables contain service and infrastructure information data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

City of Philadelphia
Net Position by Component
For the Fiscal Years 2011 Through 2020

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	(47.5)	83.9	232.5	176.8	1,040.8	955.2	1,006.6	645.2	738.6	538.6
Restricted	789.5	621.8	586.8	630.3	576.5	625.1	553.8	793.2	867.9	955.0
Unrestricted	(2,495.5)	(2,478.2)	(2,588.9)	(2,771.8)	(7,880.6)	(7,904.4)	(7,767.3)	(8,709.9)	(8,516.9)	(8,803.6)
Total Governmental Activities Net Position	(1,753.5)	(1,772.5)	(1,769.6)	(1,964.7)	(6,263.3)	(6,324.1)	(6,206.9)	(7,271.5)	(6,910.4)	(7,310.0)
Business-Type Activities										
Net Investment in Capital Assets	845.1	887.8	982.5	1,007.4	1,088.1	1,323.7	1,330.5	1,402.0	1,437.6	1,492.8
Restricted	550.6	591.8	628.9	685.5	766.0	650.5	692.5	762.6	835.5	825.7
Unrestricted	234.3	257.9	173.4	200.7	(278.5)	(279.3)	(251.9)	(423.0)	(391.6)	(391.6)
Total Business-Type Activities Net Position	1,630.0	1,737.5	1,784.8	1,893.6	1,575.6	1,694.9	1,771.1	1,741.6	1,881.5	1,926.9
Primary Government										
Net Investment in Capital Assets	797.6	971.7	1,215.0	1,184.2	2,128.9	2,278.9	2,337.1	2,047.2	2,176.2	2,031.4
Restricted	1,340.1	1,213.6	1,215.7	1,315.8	1,342.5	1,275.6	1,246.3	1,555.8	1,703.4	1,780.7
Unrestricted	(2,261.2)	(2,220.3)	(2,415.5)	(2,571.1)	(8,159.1)	(8,183.7)	(8,019.2)	(9,132.9)	(8,908.5)	(9,195.2)
Total Primary Government Net Position	(123.5)	(35.0)	15.2	(71.1)	(4,687.7)	(4,629.2)	(4,435.8)	(5,529.9)	(5,028.9)	(5,383.1)

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2011 Through 2020

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities:										
Economic Development	92.2	96.5	94.2	95.1	97.4	115.3	111.4	113.7	109.7	118.0
Transportation:										
Streets & Highways	136.3	115.6	112.9	143.9	122.4	136.8	122.8	148.1	159.1	175.7
Mass Transit	75.2	74.0	71.0	72.1	76.2	76.1	84.3	86.4	89.3	91.0
Judiciary and Law Enforcement:										
Police	1,048.1	1,094.2	1,087.9	1,262.7	1,098.7	1,232.4	1,198.8	1,282.0	1,277.3	1,350.3
Prisons	340.4	336.7	342.2	371.2	353.0	381.6	387.6	386.4	349.2	369.8
Courts	315.0	326.2	318.1	338.5	323.4	339.6	349.7	344.8	357.8	363.0
Conservation of Health:										
Emergency Medical Services	53.3	48.4	49.7	69.3	66.4	66.3	77.2	69.7	70.0	74.2
Health Services	1,524.6	1,500.1	1,464.9	1,519.1	1,420.5	1,579.1	1,613.6	1,661.9	1,650.4	1,842.0
Housing and Neighborhood Development	126.1	137.7	102.9	80.3	80.9	80.1	81.1	94.3	106.6	132.0
Cultural and Recreational										
Recreation	98.7	97.3	102.3	113.1	113.1	116.6	120.3	125.7	131.4	122.5
Parks	14.0	9.0	8.6	8.2	10.6	8.4	9.5	6.9	5.5	10.6
Libraries and Museums	75.7	80.8	76.1	84.5	84.3	88.8	90.4	96.4	109.4	111.4
Improvements to General Welfare:										
Social Services	718.4	675.5	625.3	657.5	687.8	688.7	733.8	732.0	727.4	739.7
Education	64.0	74.3	94.4	167.5	126.0	134.5	134.2	134.7	213.3	263.2
Inspections and Demolitions	30.1	26.5	38.0	43.3	41.7	65.3	45.4	54.3	56.7	57.2
Service to Property:										
Sanitation	143.0	153.2	136.7	153.1	151.1	157.0	161.1	160.0	153.7	163.5
Fire	285.9	292.2	296.8	386.6	350.8	370.7	373.4	410.6	469.2	470.1
General Management and Support	561.0	678.4	743.4	538.0	605.3	648.1	693.3	729.1	788.5	946.5
Interest on Long Term Debt	136.3	112.1	161.8	159.0	166.2	158.2	151.1	155.7	148.3	158.6
Total Governmental Activities Expenses	5,838.3	5,928.7	5,927.2	6,263.0	5,975.8	6,443.6	6,539.0	6,792.7	6,972.8	7,559.3
Business-Type Activities:										
Water and Sewer	520.2	490.8	513.4	543.5	550.2	569.0	601.8	631.1	685.8	711.4
Aviation	336.0	343.1	358.9	376.5	374.3	400.2	419.9	442.9	430.7	437.2
Industrial and Commercial Development	1.9	-	0.6	-	-	-	16.5	0.5	2.3	4.4
Total Business-Type Activities Expenses	858.1	833.9	872.9	920.0	924.5	969.2	1,038.2	1,074.5	1,118.8	1,153.0
Total Primary Government Expenses	6,696.4	6,762.6	6,800.1	7,183.0	6,900.3	7,412.8	7,577.2	7,880.1	8,091.6	8,712.3
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	-	1.1	2.6	0.1	0.1	0.1	-	-	-	-
Transportation:										
Streets & Highways	5.1	5.2	5.3	5.2	7.3	5.8	7.1	6.6	10.0	9.8
Mass Transit	0.6	1.3	1.9	1.9	2.1	2.2	2.2	2.5	2.7	2.3
Judiciary and Law Enforcement:										
Police	3.5	5.5	6.3	4.5	5.2	5.1	8.2	6.8	7.2	7.2
Prisons	0.5	0.9	0.7	0.4	0.4	0.3	0.3	0.5	1.7	1.3
Courts	45.6	60.6	59.9	50.3	51.6	50.3	53.6	56.5	55.6	39.3
Conservation of Health:										
Emergency Medical Services	34.7	27.5	33.3	36.3	36.2	45.7	65.0	51.9	16.8	11.2
Health Services	16.7	14.8	16.7	18.9	14.4	14.1	30.3	27.6	46.4	63.5
Housing and Neighborhood Development	23.1	28.6	23.5	16.7	20.1	18.1	27.2	21.0	23.2	18.1
Cultural and Recreational:										
Recreation	2.8	2.2	3.8	2.8	3.7	4.6	3.4	5.8	4.9	3.1
Parks	5.0	4.8	3.3	2.2	1.1	1.0	3.6	1.8	1.0	0.8
Libraries and Museums	1.8	1.2	1.0	2.0	1.1	1.2	1.4	1.9	1.5	1.1

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2011 Through 2020

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Improvements to General Welfare:										
Social Services	6.8	5.2	8.3	5.6	4.4	1.2	1.4	7.3	6.2	7.0
Education	-	-	0.1	-	-	-	-	-	-	-
Inspections and Demolitions	45.5	50.0	53.9	50.1	52.4	54.1	59.4	64.8	72.8	64.7
Service to Property:										
Sanitation	11.6	15.9	16.2	35.5	24.9	16.5	13.8	14.1	14.0	14.5
Fire	0.5	0.3	0.9	0.3	2.9	0.3	0.6	0.4	40.8	44.5
General Management and Support	136.6	139.7	134.2	177.7	150.2	158.3	159.5	160.1	151.0	147.8
Interest on Long Term Debt	9.2	0.3	-	0.2	0.2	0.2	-	-	0.2	-
Operating Grants and Contributions	2,223.5	2,102.1	1,986.4	1,967.3	2,011.2	2,090.9	2,199.5	2,262.9	2,215.2	2,337.0
Capital Grants and Contributions	32.1	43.2	48.9	35.3	60.1	61.8	22.2	27.3	20.5	44.9
Total Governmental Activities Program Revenues	2,605.2	2,510.4	2,407.2	2,413.3	2,449.6	2,531.8	2,658.7	2,719.8	2,691.7	2,818.1
Business-Type Activities:										
Charges for Services:										
Water and Sewer	558.5	598.3	608.7	638.6	675.9	670.0	714.7	726.4	745.3	732.4
Aviation	258.1	263.2	291.4	315.4	322.4	433.7	431.9	471.1	486.2	366.8
Industrial and Commercial Development	0.5	0.4	0.4	0.4	0.5	0.5	19.9	0.1	2.2	7.2
Operating Grants and Contributions	4.8	3.5	2.3	1.4	0.9	0.9	1.3	0.6	0.7	0.9
Capital Grants and Contributions	105.9	91.6	58.2	93.6	161.3	26.8	10.6	29.0	22.7	34.3
Total Business-Type Activities Program Revenues	927.8	957.0	961.0	1,049.4	1,161.0	1,131.9	1,178.4	1,227.2	1,257.1	1,141.6
Total Primary Government Revenues	3,533.0	3,467.4	3,368.2	3,462.7	3,610.6	3,663.7	3,837.1	3,947.0	3,948.8	3,959.7
Net (Expense)/Revenue										
Governmental Activities	(3,233.1)	(3,418.3)	(3,520.0)	(3,849.7)	(3,526.2)	(3,911.8)	(3,880.3)	(4,072.9)	(4,281.1)	(4,741.2)
Business-Type Activities	69.7	123.1	88.1	129.4	236.5	162.7	140.2	152.7	138.3	(11.4)
Total Primary Government Net Expense	(3,163.4)	(3,295.2)	(3,431.9)	(3,720.3)	(3,289.7)	(3,749.1)	(3,740.1)	(3,920.2)	(4,142.8)	(4,752.6)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	506.6	500.8	553.8	530.2	551.3	550.2	578.7	649.0	691.9	695.8
Wage & Earnings Taxes	1,504.6	1,551.7	1,598.7	1,639.8	1,737.2	1,816.8	1,920.7	2,027.8	2,114.7	2,115.6
Business Taxes	364.2	399.2	452.4	469.2	453.4	505.6	440.2	456.1	556.1	590.4
Other Taxes	645.8	663.6	706.0	735.8	666.7	733.5	817.6	947.7	984.1	942.8
Unrestricted Grants & Contributions	173.8	223.2	187.4	229.5	185.1	185.4	184.5	191.6	190.8	197.3
Interest & Investment Earnings	35.8	33.3	17.9	21.7	24.1	28.0	27.4	49.6	64.7	69.2
Special Items	-	-	-	-	-	-	-	(38.4)	-	-
Transfers	24.9	27.5	21.4	28.3	30.2	31.6	28.5	33.3	39.9	34.7
Total Governmental Activities	3,255.7	3,399.3	3,537.6	3,654.5	3,648.0	3,851.1	3,997.6	4,316.7	4,642.2	4,645.8
Business-Type Activities:										
Interest & Investment Earnings	6.9	9.0	12.7	5.3	4.1	8.3	11.4	23.6	47.8	48.7
Unrestricted Grants & Contributions	-	2.9	42.2	2.5	1.9	1.9	2.5	3.3	3.9	58.2
Transfers	(24.9)	(27.5)	(21.4)	(28.3)	(30.3)	(31.6)	(28.5)	(33.3)	(39.9)	(34.7)
Total Business-Type Activities	(18.0)	(15.6)	33.5	(20.5)	(24.3)	(21.4)	(14.6)	(6.2)	11.8	72.2
Total Primary Government	3,237.7	3,383.7	3,571.1	3,634.0	3,623.7	3,829.7	3,983.0	4,310.5	4,654.0	4,718.0
Change in Net Position										
Governmental Activities	22.6	(19.0)	17.6	(195.2)	121.8	(60.7)	117.3	243.8	361.1	(95.4)
Business-Type Activities	51.7	107.5	121.6	108.9	212.2	141.3	125.6	146.5	150.1	60.8
Total Primary Government	74.3	88.5	139.2	(86.3)	334.0	80.6	242.9	390.3	511.2	(34.6)

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2011 Through 2020

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	2.3	2.3	2.3	2.0	2.0	1.7	1.7	-	-	-
Stadium Financing	0.3	0.5	2.1	3.8	4.3	0.6	0.6	-	-	-
Cultural & Commercial Corridor Project	19.2	15.3	12.2	11.6	10.6	7.4	2.7	1.5	1.2	1.1
Long Term Loan	-	-	79.7	68.2	56.7	44.8	33.1	21.8	10.8	-
Affordable Housing Project	-	-	-	-	-	-	-	44.3	27.3	11.0
Art Museum Project	-	-	-	-	-	-	-	11.4	6.3	1.8
Rebuild Project	-	-	-	-	-	-	-	-	82.9	77.7
Home Repair Program	-	-	-	-	-	-	-	-	39.2	39.5
Committed to:										
General Fund	-	-	-	-	-	-	-	-	-	34.3
Assigned to:	-	70.5	98.0	103.1	81.9	78.0	128.4	127.0	322.3	-
Unassigned:	(45.7)	-	90.0	23.0	-	-	23.7	195.0	125.8	380.2
Total General Fund:	(23.9)	88.6	284.4	211.7	155.5	132.5	190.1	401.0	615.8	545.5
All Other Governmental Funds										
Non-spendable:										
Permanent Fund (Principal)	2.6	2.6	2.8	3.2	3.5	3.1	3.4	3.5	3.5	3.8
Restricted for:										
Behavioral Health	250.1	230.7	233.7	188.6	199.6	220.1	262.3	279.4	314.3	291.1
Neighborhood Revitalization	61.3	51.6	34.2	30.6	29.6	0.0	0.1	0.2	0.2	0.3
Public Safety Emergency Phone System	36.9	29.6	24.5	27.5	35.2	40.8	31.5	31.2	34.1	33.1
Economic Development	6.6	10.3	7.2	6.8	11.8	12.3	13.7	13.9	15.2	3.1
Intergovernmental Financing	21.1	21.7	33.9	34.0	28.3	25.5	25.2	24.9	24.3	24.1
Intergovernmentally Financed Pgms	24.5	18.9	-	-	-	-	-	-	-	-
Streets & Highways	18.3	23.2	23.9	26.2	31.9	37.1	46.0	57.1	59.2	63.2
Housing & Neighborhood Development	10.5	10.5	15.0	16.6	18.5	20.8	30.6	33.3	65.7	66.3
Health Services	8.8	9.5	15.2	10.1	11.0	11.2	13.4	17.4	20.6	22.7
Debt Service	82.8	82.4	81.5	83.1	81.5	81.6	72.4	62.9	54.7	16.0
Capital Improvements	267.7	128.5	29.2	191.6	70.2	133.1	24.8	161.0	88.1	278.5
Trust Purposes	8.1	8.3	8.9	11.8	12.3	10.2	10.2	9.4	10.0	9.7
Parks & Recreation	0.3	0.4	0.4	0.4	0.6	0.8	0.9	1.2	1.4	1.2
Libraries & Museums	0.1	0.1	0.1	0.1	0.0	3.0	3.3	3.1	2.5	2.5
Stadium Financing	6.3	6.4	6.8	7.3	6.7	6.4	6.0	5.8	5.0	10.5
Committed to:										
Capital Improvements	-	-	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-	-	-	-
Housing & Neighborhood Development	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Trust Purposes	-	-	-	-	-	-	-	-	-	-
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-
Prisons	3.6	4.2	4.4	3.5	3.2	2.9	3.4	3.5	3.4	3.3
Parks & Recreation	0.5	0.9	0.7	0.8	0.9	1.7	1.3	1.1	1.4	1.5
Assigned to:										
Behavioral Health	-	-	-	-	-	-	-	-	-	-
PICA Rebate Fund	-	-	-	-	-	-	-	-	-	-
PMA	-	-	-	-	-	-	-	-	-	-
Unassigned:										
Housing & Neighborhood Dev	(4.0)	(6.5)	(7.2)	(7.9)	(7.1)	(5.3)	(8.4)	(8.7)	(9.3)	(16.2)
Grants Revenue Fund	(34.3)	(175.1)	(217.1)	(273.3)	(213.0)	(322.5)	(294.3)	(288.5)	(317.7)	(314.2)
General Mgmt & Support	-	-	-	-	-	-	-	-	(0.3)	(0.2)
Total All Other Governmental Funds	771.7	458.1	298.1	360.7	324.7	282.7	245.9	411.6	376.2	500.4

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability.
A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occured.

City of Philadelphia **Table 4**

Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2011 Through 2020

Amounts in millions of USD

(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Tax Revenue	2,995.0	3,112.5	3,304.4	3,370.8	3,397.1	3,632.7	3,761.3	4,112.4	4,345.2	4,359.3
Locally Generated Non-Tax Revenue	370.6	336.5	348.6	387.1	376.6	367.3	400.5	417.1	448.0	447.5
Revenue from Other Governments	2,366.4	2,226.1	2,212.0	2,169.0	2,280.2	2,245.2	2,466.1	2,440.6	2,409.2	2,552.6
Other Revenues	25.8	27.5	27.9	20.2	16.9	19.6	18.6	20.7	16.5	24.9
Total Revenues	5,757.8	5,702.6	5,892.9	5,947.1	6,070.8	6,264.8	6,646.5	6,990.8	7,218.9	7,384.3
Expenditures										
Current Operating:										
Economic Development	82.6	88.9	85.9	83.7	82.5	101.1	100.5	104.2	102.0	113.5
Transportation:										
Streets & Highways	87.4	75.6	81.6	98.1	96.2	105.1	98.7	108.4	139.8	137.2
Mass Transit	67.1	67.7	66.5	67.5	71.7	76.1	79.9	82.0	84.9	86.6
Judiciary and Law Enforcement:										
Police	955.9	1,020.0	1,089.4	1,164.9	1,104.6	1,162.5	1,169.7	1,237.6	1,256.9	1,306.9
Prisons	315.9	318.2	338.7	346.3	343.9	365.1	372.6	375.1	336.9	361.1
Courts	294.9	312.3	309.2	317.9	321.5	329.9	339.6	339.5	350.3	358.1
Conservation of Health:										
Emergency Medical Services	50.7	46.7	50.0	65.8	66.1	64.9	75.8	68.7	70.0	74.1
Health Services	1,514.8	1,492.7	1,464.6	1,510.3	1,419.8	1,573.1	1,608.3	1,656.5	1,646.4	1,837.3
Housing and Neighborhood Development	126.1	133.8	102.8	80.3	80.9	80.1	81.4	94.3	106.7	132.0
Cultural and Recreational:										
Recreation	82.9	85.9	90.3	98.6	103.9	104.8	107.1	112.3	117.9	112.8
Parks	5.8	6.1	3.9	1.2	1.8	1.5	3.4	2.9	2.7	2.2
Libraries and Museums	68.7	71.9	72.0	74.9	79.1	81.4	84.4	91.9	100.3	104.0
Improvements to General Welfare:										
Social Services	701.8	674.3	624.3	655.3	687.8	687.1	731.7	730.6	726.7	735.9
Education	64.0	74.3	94.4	167.5	126.0	134.5	134.2	134.7	213.3	263.2
Inspections and Demolitions	34.8	32.2	45.8	40.8	41.5	64.0	44.5	53.1	56.3	56.3
Service to Property:										
Sanitation	133.9	146.2	137.2	144.8	146.9	152.4	154.3	153.5	150.3	161.9
Fire	258.1	267.8	295.9	344.2	346.4	355.0	353.5	399.4	471.8	467.7
General Management and Support	568.5	619.1	622.8	646.7	662.3	686.4	718.1	789.9	810.1	929.2
Capital Outlay	134.9	202.0	161.1	140.1	189.7	206.1	145.5	455.7	208.0	211.0
Debt Service:										
Principal	91.4	103.2	114.1	120.3	339.8	139.5	145.0	152.6	139.7	198.0
Interest	105.6	105.2	112.2	118.0	120.7	107.5	106.2	112.7	114.2	107.4
Bond Issuance Cost	2.2	1.6	4.4	5.0	7.2	3.3	3.2	3.9	3.4	18.6
Total Expenditures	5,748.0	5,945.7	5,967.1	6,292.2	6,440.3	6,581.4	6,657.6	7,259.5	7,208.6	7,775.0
Excess of Revenues Over (Under) Expenditures	9.8	(243.1)	(74.2)	(345.1)	(369.5)	(316.6)	(11.1)	(268.7)	10.3	(390.7)
Other Financing Sources (Uses)										
Issuance of Debt	139.1	12.6	299.8	293.8	30.0	191.6	-	314.1	119.5	293.4
Issuance of Refunding Debt	114.6	112.6	231.2	363.6	195.7	234.2	346.1	108.3	188.7	326.2
Bond Issuance Premium	5.0	16.6	0.8	31.4	21.3	53.9	40.7	60.2	33.5	93.8
Proceeds from Lease & Service Agreements	28.1	-	(252.7)	-	-	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	-	-	-	252.5	-	2.2
Payment to Refunded Bonds Escrow Agent	(117.6)	(127.3)	(190.5)	(382.2)	-	(259.6)	(383.5)	(123.1)	(212.5)	(305.7)
Transfers In	583.1	600.8	613.1	616.3	661.9	686.3	731.4	802.5	925.5	819.70
Transfers Out	(558.1)	(573.3)	(591.7)	(587.9)	(631.6)	(654.7)	(702.9)	(769.2)	(885.6)	(785.0)
Total Other Financing Sources (Uses)	194.2	42.0	110.0	335.0	277.3	251.7	31.8	645.3	169.1	444.6
Net Change in Fund Balances	204.0	(201.1)	35.8	(10.1)	(92.2)	(64.9)	20.7	376.6	179.4	53.9
Debt Service as a Percentage of Non-capital Expenditures	3.5%	3.6%	3.9%	3.9%	7.4%	3.9%	3.9%	3.9%	3.6%	4.0%

[1.0] Effective April 15, 2003, the City implemented a change to the basis on which the Business Income and Receipts Tax is collected requiring an estimated payment applicable to the next year's tax liability. $166.9 million of these estimated tax payments were deferred in the general fund in FY2013 because the underlying events had not occured.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Debt Service	194.1	193.3	186.4	186.4	208.4	226.3	238.3	265.3	253.9	305.4

City of Philadelphia **Table 5**

Comparative Schedule of Operations

Municipal Pension Fund

For the Fiscal Years 2011 through 2020

Amounts in millions of USD

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Additions:										
Contributions:										
Employee Contributions	52.7	50.0	49.6	53.7	58.7	67.1	73.6	83.3	99.1	111.8
Employer's:										
City of Philadelphia	455.8	539.8	763.7	533.4	556.1	629.4	678.8	756.1	772.6	747.4
Quasi-Governmental Agencies	14.2	16.2	18.1	19.8	21.1	30.8	27.4	25.9	25.2	21.4
Total Employer's Contributions	470.1	556.0	781.8	553.2	577.2	660.2	706.2	782.0	797.8	768.8
Total Contributions	522.8	606.0	831.4	606.9	635.9	727.3	779.8	865.3	896.9	880.6
Interest & Dividends	79.5	86.2	122.9	102.2	98.4	101.5	108.5	127.9	132.7	130.0
Net Gain (Decline) in Fair Value of Investments	618.5	(57.7)	213.9	585.4	(76.8)	(239.8)	462.9	318.2	176.6	(38.1)
(Less) Investment Expenses	0.0	(13.3)	(12.2)	(10.2)	(9.8)	(9.1)	(8.0)	(7.5)	(7.5)	(6.7)
Net Securities Lending Revenue	1.5	2.1	3.0	4.2	2.2	1.9	1.8	1.8	2.2	2.1
Securities Lending Unrealized Loss	0.0	(1.9)	118.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Less) Securities Lending Expenses	0.0	(0.9)	(0.3)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Net Investment Income (Loss)	699.5	14.5	445.3	681.0	13.7	(145.8)	564.9	440.1	303.7	87.0
Miscellaneous Operating Revenue	1.4	0.0	0.5	0.5	0.1	0.1	1.8	0.2	0.1	0.1
Total Additions	1,223.7	620.5	1,277.2	1,288.4	649.7	581.6	1,346.5	1,305.6	1,200.7	967.7
Deductions:										
Pension Benefits	681.9	706.2	740.7	802.6	876.4	882.0	813.3	819.8	832.4	854.0
Refunds to Members	5.1	6.5	5.7	6.0	5.3	7.4	8.2	8.5	10.0	8.3
Administrative Costs	8.0	0.0	8.2	8.3	10.4	8.4	8.8	10.0	11.1	10.8
Other Operating Expenses	0.0	15.2	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Total Deductions	695.0	727.9	754.8	816.9	892.1	897.9	830.4	838.4	853.6	873.2
Net Increase (Decrease)	528.7	(107.4)	522.4	471.5	(242.4)	(316.3)	516.1	467.2	347.1	94.5
Net Assets: Adjusted Opening	3,501.6	4,030.2	3,922.8	4,445.2	4,916.7	4,674.3	4,358.0	4,874.1	5,341.3	5,688.4
Closing	4,030.2	3,922.8	4,445.2	4,916.7	4,674.3	4,358.0	4,874.1	5,341.3	5,688.4	5,782.9
Ratios:										
Pension Benefits Paid as a Percent of										
Net Members Contributions	1432.56%	1623.45%	1687.24%	1682.60%	1640.28%	1477.39%	1243.58%	1095.99%	934.23%	825.12%
Closing Net Assets	16.92%	18.00%	16.66%	16.32%	18.75%	20.24%	16.69%	15.35%	14.63%	14.77%
Coverage of Additions over Deductions	176.07%	85.25%	169.21%	157.72%	72.83%	64.77%	162.15%	155.73%	140.66%	110.82%
Investment Earnings as % of Pension Benefits	102.58%	2.05%	60.12%	84.85%	1.56%	-16.53%	69.46%	53.68%	36.48%	10.19%

City of Philadelphia

Table 6

Wage and Earnings Tax Taxable Income
For the Calendar Years 2010 Through 2019

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1]	Taxable Income	% of Total	Direct Rate [1]	Total Taxable Income	Total Direct Rate
2010	22,170.8	57.02%	3.92880%	16,713.5	42.98%	3.49910%	38,884.3	3.74410%
2011	22,726.3	57.06%	3.92800%	17,102.2	42.94%	3.49850%	39,828.5	3.74357%
2012	23,461.6	57.26%	3.92800%	17,513.6	42.74%	3.49850%	40,975.2	3.74442%
2013	24,320.8	57.50%	3.92600%	17,974.3	42.50%	3.49675%	42,295.1	3.74358%
2014	25,602.1	57.70%	3.92200%	18,767.3	42.30%	3.49325%	44,369.4	3.74065%
2015	26,668.6	57.62%	3.91510%	19,611.3	42.38%	3.48715%	46,279.9	3.73375%
2016	28,609.5	58.69%	3.90530%	20,140.1	41.31%	3.47845%	48,749.6	3.72895%
2017	30,461.1	59.19%	3.89555%	21,005.2	40.81%	3.46975%	51,466.3	3.72177%
2018	32,170.7	59.88%	3.88580%	21,550.3	40.12%	3.46105%	53,721.0	3.71541%
2019	33,928.9	59.66%	3.87120%	22,940.1	40.34%	3.44810%	56,869.0	3.70053%

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] In 2010, the rate changed on January 1st & July 1st. Also, in 2013 to 2015, the rate changed on July 1st. The direct rate is an average of the two rates involved during that calendar year.

City of Philadelphia **Table 7**
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2011 through 2020

Tax Classification	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Wage and Earnings Tax:										
[a] City Residents	3.9280% [b]	3.9280% [b]	3.9280% [b]	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%	3.8712%
Non-City Residents	3.4985% [b]	3.4985% [b]	3.4985% [b]	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%	3.4481%
[d] **Real Property: (% on Assessed Valuation)**										
City	4.123%	4.123%	4.462%	0.602%	0.602%	0.632%	0.632%	0.632%	0.632%	0.632%
School District of Philadelphia	4.959%	5.309%	5.309%	0.738%	0.738%	0.768%	0.768%	0.768%	0.768%	0.768%
Total Real Property Tax	9.082%	9.432%	9.771%	1.340%	1.340%	1.400%	1.400%	1.400%	1.400%	1.400%
[e] Assessment Ratio	28.05%	28.87%	28.68%	224.40%	213.95%	167.26%	167.14%	167.14%	132.88%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.548%	2.723%	2.802%	3.007%	2.867%	2.341%	2.340%	2.340%	1.860%	NA
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.1%	3.3%	3.3%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.1%	4.1%	4.3%	4.3%
[c] **Business Income and Receipts Taxes**										
(% on Gross Receipts)	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%
[f] (% on Net Income)	6.4500%	6.4500%	6.4500%	6.4300%	6.4100%	6.3900%	6.3500%	6.3000%	6.2500%	6.2000%
[c] **Net Profits Tax:**										
[a] City Residents	3.9280%	3.9280%	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%	3.8712%	3.8712%
Non-City Residents	3.4985%	3.4985%	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%	3.4481%	3.5019%

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

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.

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.

Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BIRT Return.

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 2011 through 2020

Table 7

Tax Classification	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales Tax										
City	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged.										
Parking Lot Tax	20.0%	20.0%	20.0%	20.0%	20.0%	22.5%	22.5%	22.5%	22.5%	22.5%
Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City.										
Hotel Room Rental Tax	8.2%	8.2%	8.2%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Rate of Tourism & Marketing Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	9.2%	9.2%	9.2%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other 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%	2.0%
Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration.										

[a] Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

[b] Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31. For FY 2011, from July 1 through December 31, 2010 the rates were 3.928 % and 3.4985%.

[c] Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

[d] Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

[e] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[f] 60% of the Net Income portion of the Business Income and Receipts Tax is allowed to be credited against the Net Profits Tax.

City of Philadelphia

Table 8

Principal Wage and Earnings Tax Remitters [1]

Current Calendar Year and Nine Years Ago

Amounts in millions of USD

Remittance Range	2019 # of Remitters (Employers)	2019 Total Amount Remitted	2019 Percentage of Total Remitted	2010 # of Remitters (Employers)	2010 Total Amount Remitted	2010 Percentage of Total Remitted
Greater then $10 million	20	$578.9	27.51%	16	$384.9	26.44%
Between $1 million & $10 million	216	518.3	24.63%	158	367.4	25.23%
Between $100,000 & $1 million	2,120	557.9	26.51%	1,468	374.8	25.75%
Between $10,000 & $100,000	11,395	340.2	16.16%	8,274	244.2	16.77%
Less then $10,000	44,761	109.1	5.19%	36,879	84.6	5.81%
Total	58,512	$2,104.5	100.00%	46,795	$1,455.9	100.00%

[1] Wage & Earnings information for individual remitters is confidential

City of Philadelphia

Table 9

Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2011 through 2020

Amounts in millions of USD

Calendar Year of Levy [1]	Assessed Value on Certification Date [3]	Less: Tax-Exempt Property [2,3]	Less: Homestead Exemption [7]	Total Taxable Assessed Value [2,3]	Adjustments between Certification Date and Billing Date [3]	Total Taxable Assessed Value on Billing Date	Total Direct Tax Rate [4]	STEB Ratio [5]	Estimated Actual Taxable Value (STEB)	Sales Ratio [6]	Estimated Actual Taxable Value (Sales)
2011	17,940	5,593		12,347		12,347	4.123%	28.05%	44,018	13.35%	92,487
2012	18,022	5,685		12,337		12,337	4.123%	28.87%	42,733	13.13%	93,960
2013	18,181	5,765		12,416		12,416	4.462%	28.68%	43,291	11.88%	104,512
2014	137,404	37,462	5,429	94,513	(2,590)	91,923	0.602%	224.40%	42,118	90.48%	104,457
2015	136,341	37,223	6,411	92,707	(1,777)	90,930	0.602%	213.95%	43,331	90.60%	102,326
2016	136,295	38,386	6,372	91,537	(1,369)	90,168	0.632%	167.26%	54,727	92.96%	98,469
2017	136,682	38,552	6,389	91,741	105	91,846	0.632%	167.14%	54,889	94.20%	97,390
2018	152,995	41,738	6,268	104,989	(811)	104,178	0.632%	167.14%	62,815	95.78%	109,615
2019	164,672	42,767	6,349	115,556	(3,313)	112,243	0.632%	132.88%	86,963	106.00%	109,015
2020	168,263	44,095	8,592	115,576	(1,225)	114,351	0.632%	NA	NA	NA	NA

[1] Real property tax bills are normally sent out in December and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

[3] Source: Office of Property Assessment. Beginning in 2014:

a) the Assessed Value Certification Date was moved up to 3/31/2013; in prior years, the Certification Date occurred on or slightly before the Billing Date (in November)

b) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

[4] Total Direct Tax Rate is City portion only and excludes the School District portion (see statistical table #7 for breakdown).

[5] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13.

[6] This ratio is compiled by the Office of Property Assessment based on sales of property during the year.

[7] Starting in 2014, the City provided for a $30,000 Homestead Exemption (amount subject to change) to all homeowners.

City of Philadelphia **Table 10**

Principal Property Tax Payers

Current Year and Nine Years Ago

Amounts in millions of USD

	2020			2011		
Taxpayer	Assessment [1]	Rank	Percentage of Total Assessments	Assessment [1]	Rank	Percentage of Total Assessments
Liberty Property Phila	358.9	1	0.31	-	-	-
EQC Nine Penn Center Prop.	352.1	2	0.30	54.1	3	0.14
NG 1500 Market St. LLC	349.9	3	0.30	43.8	5	0.11
Phila Liberty Pla E Lp	315.0	4	0.27	54.4	2	0.14
Park Towne Place Assoc.	276.9	5	0.24	-	-	-
Commerce Square Partners	266.4	6	0.23	33.3	9	0.09
Phila Plaza Phaze II	252.7	7	0.22	33.9	8	0.09
Philadelphia Market Street	250.3	8	0.22	-	-	-
Brandywine Operating	236.4	9	0.20	40.6	6	0.11
401 North Broad Fee Inter.	223.1	10	0.19	-	-	-
Franklin Mills Associates	-	-	-	57.6	1	0.15
PRU 1901 Market LLC	-	-	-	35.2	7	0.09
Phila Shipyard Development Corp	-	-	-	30.3	10	0.08
Sugarhouse HSP Gaming L P	-	-	-	48.3	4	0.13
	2,881.7		2.49	431.5		1.12
Taxable Assessments (before Homestead) [2]	124,168.0		100.00	38,584.8		100.00
Less Homestead Exemption [2]	8,592.2			0.0		
Total Taxable Assessments	115,575.8			38,584.8		

[1] Source: Office of Property Assessment.
a) 2020 Assessment as of March 2019.
b) 2011 Assessment as of November 2010.

[2] In calendar year 2014,
a) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).
b) the City initiated a new $30,000 Homestead Exemption to all homeowners.

City of Philadelphia
Real Property Tax Levied and Collected
For the Calendar Years 2011 through 2020
General Fund

Table 11

Amounts in millions of USD

Calendar Year	Taxes Levied for the Year **1	Taxes Levied Based on Adjusted Assessment **2	Collected in the Calendar Year of Levy **3	Percentage Collected in the Calendar Year of Levy **5	Collected in Subsequent Years **4	Total Collected to Date: All Years	Percentage Collected to Date: All Years **5
2011	509.1	NA	440.9	86.6%	47.7	488.6	96.0%
2012	508.6	490.6	459.2	93.6%	26.2	485.4	98.9%
2013	554.0	537.3	505.6	94.1%	27.9	533.5	99.3%
2014	553.2	514.3	482.1	93.7%	29.9	512.0	99.6%
2015	547.4	516.7	489.1	94.7%	26.9	516.0	99.9%
2016	569.9	548.8	525.2	95.7%	21.1	546.3	99.5%
2017	580.5	564.7	542.9	96.1%	19.5	562.4	99.6%
2018	658.1	628.4	604.4	96.2%	14.9	619.3	98.6%
2019	709.4	686.1	660.4	96.3%	9.4	669.8	97.6%
2020	722.7	709.2	644.2	NA	NA	644.2	NA

**1 Taxes are levied on a calendar year basis, this column represents the initial bill. They are due on March 31st.

**2 Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid.
For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.

**3 For 2020, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections through the end of June 2020.

**4 Includes payments from capitalized interest. This capitalization occurs only after the first year of the levy on any amount that remains unpaid at that time.

Note that all amounts in this table pertain to the General Fund only and do not include amounts levied and collected for the school district.
The collection percentages for the school district are the same as for the General Fund.

**5 For calendar year 2011, "percentage collected in the calendar year of levy" and "percentage collected to date: all years" are based on "taxes levied for the year", since "taxes levied based on adjusted assessment" data is unavailable for these years. For calendar year 2020, data is unavailable for "percentage collected in the calendar year of levy" and "percentage collected to date: all years", since collections in the calendar year does not include the full 12 months; it includes collections through the end of June 2020.

City of Philadelphia **Table 12**

Ratios of Outstanding Debt by Type

For the Fiscal Years 2011 through 2020

Amounts in millions of USD (except per capita)

	Governmental Activities										
Fiscal Year	General Obligation Bonds	Capital Leases	Pension Service Agreement	City Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	PAID School District	Affordable Housing Project
2011	2,135.0	51.7	1,407.3	-	247.8	43.4	314.9	8.1	126.4	-	-
2012	2,041.1	40.6	1,379.3	-	240.3	41.9	310.0	7.7	122.8	-	-
2013	1,968.7	28.9	1,171.3	423.3	234.1	41.8	313.0	7.7	119.9	-	-
2014	2,139.7	16.9	1,121.4	299.8	225.5	39.6	300.6	7.2	116.0	27.3	-
2015	1,996.0	12.9	1,063.2	299.8	216.4	37.3	291.9	6.7	111.8	43.3	-
2016	2,073.6	8.8	997.5	299.8	205.8	34.9	277.2	6.7	108.5	29.1	-
2017	1,953.1	4.4	927.2	299.8	195.8	32.4	263.6	6.0	102.2	14.7	-
2018	2,078.4	249.3	852.3	299.8	185.3	30.4	248.9	5.3	96.3	-	60.2
2019	1,927.2	244.2	772.3	299.8	213.3	27.1	234.3	4.6	90.4	-	57.7
2020	2,091.8	239.0	687.0	299.8	199.4	24.0	241.1	3.8	84.4	-	55.1

	Governmental Activities			Business-Type Activities				Ratios			
Fiscal Year	Museum of Arts	PAID Rebuild Project	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Population (1)	Per Capita
2011	-	-	4,334.6	1.0	1,738.2	1,450.8	3,190.0	7,524.6	13.21%	1,526,006	4,931
2012	-	-	4,183.7	-	1,819.9	1,383.1	3,203.0	7,386.7	11.79%	1,538,567	4,801
2013	-	-	4,308.7	-	1,830.4	1,355.4	3,185.8	7,494.5	11.68%	1,547,607	4,843
2014	-	-	4,294.0	-	1,935.3	1,291.7	3,227.0	7,521.0	11.49%	1,553,165	4,842
2015	-	-	4,079.3	-	2,110.8	1,225.3	3,336.1	7,415.4	11.15%	1,560,297	4,753
2016	-	-	4,041.9	-	1,967.1	1,160.9	3,128.0	7,169.9	9.20%	1,567,442	4,574
2017	-	-	3,799.2	-	2,152.5	1,218.5	3,371.0	7,170.2	8.86%	1,567,872	4,573
2018	11.5	-	4,117.7	-	1,993.2	1,625.4	3,618.6	7,736.3	8.78%	1,580,863	4,894
2019	11.0	87.2	3,969.1	-	2,175.8	1,651.1	3,826.9	7,796.0	8.83%	1,584,138	4,921
2020	10.6	83.5	4,019.5	-	2,360.3	1,573.9	3,934.2	7,953.7	8.77%	1,584,064	5,021

(1) See Table 17 for Personal Income and Population Amounts

City of Philadelphia

Table 13

Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2011 through 2020

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]
2011	2,135.0	12,347.1	28.05%	44,018.2	4.85%	1,387.65
2012	2,041.1	12,337.0	28.87%	42,732.9	4.78%	1,318.87
2013	1,968.7	12,416.0	28.68%	43,291.5	4.55%	1,267.54
2014	2,139.7	94,513.0	224.40%	42,118.1	5.08%	1,371.34
2015	1,996.0	92,707.0	213.95%	43,331.2	4.61%	1,273.41
2016	2,073.6	91,536.5	167.26%	54,727.1	3.79%	1,322.56
2017	1,953.1	91,741.2	167.14%	54,888.8	3.56%	1,235.46
2018	2078.4	104,988.9	167.14%	62,814.9	3.31%	1,312.01
2019	1927.2	115,555.5	132.88%	86,962.3	2.22%	1,216.62
2020	2091.8	115,575.8	NA	NA	NA	NA

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Office of Property Assessment

[2] The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

[3] See Table 17 for Population Amounts

City of Philadelphia

Table 14

Direct and Overlapping Governmental Activities Debt
June 30, 2020

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	3,547.8	100.00%	3,547.8
[1] **City Direct Debt**			4,019.5
Total Direct and Overlapping Debt			7,567.3

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

[1] Refer to Table 12

City of Philadelphia
Legal Debt Margin Information
For the Fiscal Years 2011 through 2020

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2020

Assessed Value	81,867.8
Debt Limit	11,052.1
[1] Debt Applicable to Limit:	
Tax Supported General Obligation Debt:	
Issued & Outstanding	1,723.7
Authorized but Unissued	514.8
Total	2,238.5
Less: Amount set aside for repayment of general obligation debt	9.7
Total Net Debt Applicable to Limit	2,228.8
Legal Debt Margin	8,823.3

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit (notes 2, 3, 4, and 5)	1,571.9	1,622.3	1,670.0	3,011.1	4,288.7	5,454.0	6,629.5	8,001.0	9,534.0	11,052.1
Total Net Debt Applicable to Limit	1,474.6	1,542.5	1,617.9	1,673.4	1,751.0	1,841.4	1,952.0	2,051.3	2,130.8	2,228.8
Legal Debt Margin	97.3	79.8	52.1	1,337.7	2,537.7	3,612.6	4,677.5	5,949.7	7,403.2	8,823.3
Total Net Debt Applicable to the Limit as a Percent of Total Debt	93.81%	95.08%	96.88%	55.57%	40.83%	33.76%	29.44%	25.64%	22.35%	20.17%

[1] Refer to Purdon's Statutes 53 P.S. Section 15721

[2] The legal limit is based on the Pennsylvania Constittution article IX Section 12.

[3] Tax Years 2011-2013 assessed values were provided by OPA via The Department of Revenue..

[4] Calendar Year 2013/Tax Year 2014 assessed values were provided by OPA. The higher amount was due to the implementation of the AVI (Actual Value Initiative) in 2013.

[5] Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the proceeding 10 year average; prior to this change, the Tax Year assessed values was used.

Calendar Year [4] of assessment	Tax Year of [3,4] assessment	R.E. Assessments
2010	2011	13,522,847,116
2011	2012	13,602,484,741
2012	2013	13,755,670,566
2013	2014	107,209,023,547
2014	2015	106,062,882,977
2015	2016	98,268,051,621
2016	2017	99,343,238,214
2017	2018	114,493,581,457
2018	2019	126,865,207,235
2019	2020	125,555,031,478
	Ten Year average	81,867,801,895
	Limit per art. 9	13.50%
	Legal Debt Limit	11,052,153,256

City of Philadelphia **Table 16**

Pledged Revenue Coverage

For the Fiscal Years 2011 through 2020

Amounts in millions of USD

No.		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	589.7	613.3	638.4	680.4	-	-	-	-	-	-
1a	Total Revenue	-	-	-	-	676.8	678.9	720.6	750.1	741.6	746.7
2	Net Operating Expenses	357.7	375.1	399.3	410.8	422.3	433.0	480.3	506.2	522.4	543.7
2a	Commitments Cancelled (formally Beg. Fund Bal.)	-	-	-	-	(19.4)	(24.1)	(24.6)	(32.4)	(30.4)	(26.9)
3	Transfer To (From) Rate Stabilization Fund	10.9	8.5	(4.7)	22.9	21.4	(1.6)	(4.6)	(24.6)	(4.3)	(33.1)
4	Net Revenues	221.1	229.7	243.8	246.7	252.5	271.6	269.5	300.9	253.9	263.0
	Debt Service:										
5	Revenue Bonds Outstanding	184.3	191.4	201.0	201.7	205.3	219.3	206.1	218.4	190.9	206.2
6	Transfer to Escrow Account to Redeem Bonds	-	-	-	-	-	-	11.0	19.0	-	-
6a	Other Adjustments	-	-	-	-	-	(0.3)	(1.2)	(0.2)	-	0.2
7	Pennvest Loan	1.2	1.0	-	-	-	-	-	-	-	-
8	Total Debt Service	185.5	192.4	201.0	201.7	205.3	219.0	215.9	237.2	190.9	206.4
9	Net Revenue after Debt Service	35.6	37.3	42.8	45.0	47.2	52.6	53.6	63.7	63.0	56.6
10	Transfer to General Fund	-	1.1	0.6	-	-	-	-	-	-	-
11	Transfer to Capital Fund	18.1	18.9	19.4	20.2	20.7	21.5	22.3	34.8	24.9	26.6
12	Transfer to Residual Fund	17.5	17.3	22.8	24.8	26.5	31.1	31.3	28.9	38.1	30.0
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.20	1.21	1.22	1.23	1.24	1.31	1.38	1.33	1.28
	Coverage B (Line 4/(Line 5 + Line 11))	1.09	1.09	1.11	1.11	1.12	1.13	1.18	1.19	1.18	1.13
	Airport Revenue Bonds										
1	Fund Balance	77.6	65.9	69.3	66.5	66.3	71.2	87.9	107.8	126.8	144.2
2	Project Revenues	260.8	269.6	291.8	316.9	322.8	341.2	362.0	381.7	393.4	390.2
3	Passenger Facility Charges	32.4	31.6	31.2	31.2	31.2	31.2	33.7	31.2	31.2	31.2
4	Total Fund Balance and Revenue	370.8	367.1	392.3	414.6	420.3	443.6	483.6	520.7	551.4	565.6
5	Net Operating Expenses	98.1	99.0	110.7	117.3	126.0	132.1	136.5	151.0	161.2	151.7
6	Interdepartmental Charges	88.6	92.7	101.9	103.9	108.7	106.8	116.7	116.7	121.1	123.0
7	Total Expenses	186.7	191.7	212.6	221.2	234.7	238.9	253.2	267.7	282.3	274.7
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	272.7	268.1	281.6	297.3	294.3	311.5	347.1	369.7	390.2	413.9
9	All Bonds (Line 4-Line 7)	184.1	175.4	179.7	193.4	185.6	204.7	230.4	253.0	269.1	290.9
	Debt Service:										
10	Revenue Bonds	102.4	103.0	109.8	125.4	125.2	120.6	122.6	127.8	126.0	127.9
11	General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
12	Total Debt Service	102.4	103.0	109.8	125.4	125.2	120.6	122.6	127.8	126.0	127.9
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.66	2.60	2.56	2.37	2.35	2.58	2.83	2.89	3.10	3.24
	Total Debt Service - Test "B" (Line 9/Line 12)	1.80	1.70	1.64	1.54	1.48	1.69	1.88	1.98	2.14	2.27

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 FY 2015, Commitments Cancelled were included as part of Total Revenue and Beginning Fund Balance. Commitments Cancelled represent the liquidation of encumbrances. An encumbrance is an expense that is anticipated to be charged to the Water Fund. Beginning in FY 2015 these amounts were reclassified as contra-expenses and reported under Net Operating Expenses.

Prior to FY 2017, Water and Sewer Revenue Bonds Debt Service Coverage B was calculated as (Line4/(Line 8 + Line 11)).

City of Philadelphia

Table 17

Demographic and Economic Statistics

For the Calendar Years 2010 through 2019

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%
2013	1,553,165	65,473,002	42,155	10.0%
2014	1,560,297	66,495,223	42,617	8.0%
2015	1,567,442	77,903,831	49,701	6.9%
2016	1,567,872	80,973,410	51,645	6.8%
2017	1,580,863	88,081,991	55,718	6.2%
2018	1,584,138	88,311,658	55,747	5.5%
2019	1,584,064	90,711,866	57,265	5.5%

[1] US Census Bureau

[2] US Department of Commerce, Bureau of Economic Analysis

[3] US Department of Labor, Bureau of Labor Statistics

City of Philadelphia

Table 18

Principal Employers

Current Calendar Year and Nine Years Ago

Listed Alphabetically

2019	2010
ALBERT EINSTEIN MEDICAL	ALBERT EINSTEIN MEDICAL
CHILDRENS' HOSPITAL OF PH	CHILDRENS' HOSPITAL OF PH
CITY OF PHILA	CITY OF PHILA
COMCAST CORPORATION	COMCAST CORPORATION
HOSPITAL OF THE UNIVERSITY OF PENNSYLVANIA	HOSPITAL OF THE UNIVERSITY OF PENNSYLVANIA
SCHOOL DIST OF PHILA	SCHOOL DIST OF PHILA
SEPTA	SEPTA
TEMPLE UNIVERSITY	TEMPLE UNIVERSITY
THOMAS JEFFERSON UNIVERSITY HOSPITALS	THOMAS JEFFERSON UNIVERSITY HOSPITALS
UNIVERSITY OF PENNSYLVANIA	UNIVERSITY OF PENNSYLVANIA

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2011 through 2020

Table 19

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Economic Development	27	28	31	29	33	43	39	47	69	63
Transportation:										
Streets & Highways	499	524	517	525	506	512	538	609	655	669
Mass Transit	9	13	15	15	12	12	1	1	1	2
Judiciary and Law Enforcement:										
Police	7,439	7,292	7,270	7,177	7,267	7,750	7,213	7,276	7,336	7,201
Prisons	2,173	2,150	2,245	2,257	2,286	2,280	2,257	2,208	2,084	1,882
Courts	3,225	3,249	3,260	3,234	3,255	3,276	3,367	3,317	3,364	3,428
Conservation of Health:										
Emergency Medical Services	341	338	375	494	576	534	592	416	467	533
Health Services	1,139	1,143	1,117	1,097	1,084	1,062	1,105	1,132	1,161	1,206
Housing and Neighborhood Development	94	83	75	72	74	66	67	73	71	76
Cultural and Recreational:										
Recreation	601	605	596	587	628	636	630	670	682	678
Parks	1	-	-							
Libraries and Museums	682	658	651	637	674	666	677	659	670	688
Improvements to General Welfare:										
Social Services	1,989	1,924	1,832	1,809	1,801	1,779	1,837	1,860	1,804	1,827
Inspections and Demolitions	214	230	286	288	319	323	336	378	421	394
Service to Property:										
Sanitation	1,185	1,154	1,152	1,158	1,155	1,159	1,153	1,094	1,179	1,144
Fire	1,838	1,700	1,705	1,643	1,719	1,871	1,896	2,036	2,187	2,227
General Management and Support	2,225	2,454	2,384	2,456	2,497	2,601	2,749	2,744	3,164	2,911
Total Governmental Activities	23,681	23,545	23,511	23,478	23,886	24,570	24,457	24,520	25,315	24,929
Business Type Activities:										
Water and Sewer	2,116	2,228	2,218	2,302	2,347	2,358	2,481	2,519	2,217	2,498
Aviation	1,010	1,021	1,057	1,040	1,021	1,032	1,035	1,056	1,071	1,048
Total Business-Type Activities	3,126	3,249	3,275	3,342	3,368	3,390	3,516	3,575	3,288	3,546
Fiduciary Activities:										
Pension Trust	65	61	53	50	55	56	56	60	56	54
Total Primary Government	26,872	26,855	26,839	26,870	27,309	28,016	28,029	28,155	28,659	28,529

City of Philadelphia **Table 20**
Operating Indicators by Function
For the Fiscal Years 2011 through 2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	36	37	51	34	40	43	56	77	95	65
Potholes Repaired	24,406	14,451	12,093	45,077	48,274	35,541	31,589	57,002	59,514	37,971
Judiciary and Law Enforcement:										
Police										
Arrests	73,310	70,971	71,109	71,650	71,661	55,693	46,268	45,531	42,444	40,702
Calls to 911	2,949,231	3,118,648	2,979,990	2,879,620	2,978,527	3,703,809	2,760,452	2,432,404	2,616,735	2,390,540
Prisons										
Average Inmate Population	7,935	8,240	8,987	8,759	8,254	7,685	6,925	6,158	4,815	4,190
Inmate Beds (city owned)	8,200	8,417	8,417	8,417	8,417	8,428	6,991	6,085	5,019	4,047
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	227,147	273,557	280,877	239,403	243,127	263,754	267,266	271,450	274,659	266,090
First Responder Runs	66,763	60,972	57,047	60,296	49,529	48,965	47,456	48,797	49,526	47,864
Health										
Patient Visits	339,032	348,472	341,305	309,911	290,000	72,479	336,445	335,937	350,948	324,388
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	2,714	1,978	2,442	873	1,634	2,501	2,579	2,120	1,351	1,892
Libraries										
Items borrowed	7,210,217	7,503,031	6,579,054	6,502,087	6,511,582	5,926,481	5,419,516	5,293,138	6,482,481	5,207,069
Visitors to all libraries	6,103,528	6,020,321	6,116,762	5,563,015	5,891,382	5,839,145	5,128,715	4,973,288	4,915,649	3,841,395
Visitors to library website	6,131,726	6,886,339	7,301,311	8,194,626	9,907,573	7,971,946	5,029,713	6,361,655	6,699,581	6,099,144
Improvements to General Welfare:										
Social Services										
Children Receiving Services	28,572	28,939	27,391	17,761	18,982	19,697	18,955	18,798	17,002	13,369
Children in Placement	7,122	7,839	8,509	8,548	7,809	8,463	8,782	8,731	8,230	7,125
Emergency Shelter Beds (average)	2,520	2,987	2,116	2,544	2,708	2,196	2,143	2,170	3,725	3,855
Transitional Housing Units (new placements)	510	558	539	509	509	517	415	284	728	374
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	2,254	2,299	2,179	2,132	2,139	2,270	2,311	2,310	2,475	2,351
Recyclables Collected (tons per day)	441	461	470	490	442	425	444	404	355	327
Fire										
Fires Handled	7,945	7,319	6,365	6,120	6,364	6,143	5,901	6,614	7,810	7,350
Fire Marshall Investigations	2,711	2,387	2,135	1,943	2,183	1,715	2,242	2,099	1,969	1,889
Business Type Activities:										
[2] **Water and Sewer**										
Millions of gallons of treated water	93,886	87,341	89,616	90,213	86,416	84,573	82,846	81,485	80,943	78,239
Percent of time Philadelphia's drinking water met or surpassed state & federal standards	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Miles of pipeline surveyed for leakage	995	1,137	962	775	637	682	1,022	742	747	796
Water main breaks repaired	962	563	755	918	907	703	655	977	754	596
Average time to repair a water main break upon crew arrival at site (hours)	7.7	7.7	5.8	6.2	5.7	6.8	6.7	6.5	6.7	6.2
Percent of hydrants available	99.58%	99.70%	99.68%	99.68%	99.61%	99.60%	99.60%	99.57%	99.43%	99.15%
Number of storm drains cleaned	71,771	84,395	100,251	94,653	103,056	98,105	107,784	103,535	103,053	84,640
[1] **Aviation**										
Passengers Handled (PIA)	31,225,470	30,612,150	30,358,905	30,539,430	30,601,985	31,336,138	29,641,556	30,553,378	32,244,112	23,782,297
Air Cargo Tons (PIA)	449,683	416,731	388,383	395,661	402,194	414,891	424,009	487,086	554,606	573,499
Aircraft Movements (PIA and NPA)	525,339	517,842	506,261	493,272	487,096	456,269	434,707	427,214	455,352	385,403

[1] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

[2] In prior year Comprehensive Annual Financial Report (CAFR) , Philadelphia Water Department (PWD) reported the following metrics: new connections, the number of water main breaks, average and peak daily treated water delivered, average daily water sewage treatment

City of Philadelphia **Table 21**
Capital Assets Statistics by Function
For the Fiscal Years 2011 through 2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Transportation:										
Streets & Highways										
[1] Total Miles of Streets	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,550	2,550	2,550
Streetlights	104,219	104,600	105,151	105,151	105,151	105,151	104,595	106,092	106,092	124,846
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	31	32	37	39	40	50	48	55	55	55
Prisons										
Major Correctional Facilities	6	6	6	6	6	6	6	5	4	3
Conservation of Health:										
Health Services										
Health Care Centers	9	9	9	9	9	8	8	8	8	8
Cultural and Recreational:										
Recreation										
[5] Recreation Centers	153	184	185	184	155	164	313	313	721	717
[2] Athletic Venues	1,148	1,102	1,101	1,107	1,108	1107	1030	1030	1129	1120
[4] Neighborhood Parks and Squares	-	-	-	-	-	-	-	-	-	-
Parks										
Parks	150	177	177	177	209	209	211	211	405	409
Baseball/Softball Fields	407	404	404	403	403	404	412	404	414	411
Libraries										
Branch & Regional Libraries	54	54	54	54	54	54	54	54	54	57
Service to Property:										
Fire										
Stations and Other Facilities	63	68	68	68	69	63	69	67	73	73
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,164	3,172	3,174	3,176	3,176	3,187	3,184	3,185	3,183	3,178
Fire Hydrants	25,353	25,321	25,355	25,364	25,364	25,398	25,419	25,419	25,234	25,020
Treated Water Storage Capacity (x 1000 gallons)	1,065,400	1,065,400	1,065,400	1,065,400	1,065,000	1,065,000	1,065,000	950,000	950,000	1,010,000
Sanitary Sewers (miles)	758	759	762	762	762	763	765	766	767	761
Stormwater Conduits (miles)	731	734	738	737	737	740	747	744	752	755
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,065,400	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,059,000	1,059,000
[3] **Aviation**										
Passenger Gates (PIA)	126	126	126	126	126	126	126	126	126	126
Terminal Buildings (square footage) (PIA)	3,144,000	3,144,000	3,144,000	3,254,354	3,254,354	3,254,354	3,240,537	3,240,537	3,240,537	3,240,537
Runways (length in feet) (PIA & NPA)	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500

[1] Street System-83% city streets, 2% park streets, 15% state highways
[2] Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools
[3] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.
[4] FPC and Recreation Dept were merged in FY2011, hence the category of Neighborhood Parks and Squares was eliminated.
[5] Includes playgrounds and spraygrounds

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT

The following sets forth the definitions of certain terms used in the Indenture and Service Agreement and elsewhere in this Official Statement, and a summary of certain provisions of the Indenture and Service Agreement. Capitalized terms used herein but not defined herein shall have the meanings set forth in the forepart of this Official Statement.

These summaries should not be regarded as full statements of the legal documents themselves or of the portions summarized. For a complete statement of the provisions of the Indenture and the Service Agreement, reference should be made to those documents in their entirety, copies of which are available from the Authority, and, prior to closing, from the senior managing underwriter, and, after closing, from the Trustee, at the offices of the Trustee set forth under "INTRODUCTION – Trustee" in the forepart of this Official Statement.

DEFINITIONS OF CERTAIN TERMS

"**Account**" shall mean any account authorized to be established by the Indenture.

"**Additional Obligations**" shall mean all bonds, notes, evidences of indebtedness, lines of credit or other credit facility or liquidity facility (other than a Credit Facility), or other obligations issued under the Indenture (including all payment and reimbursement obligations in connection therewith) other than the 2021 Bonds, in each case with respect to which the City has agreed to pay the Service Fee.

"**Administrative Expenses**" shall mean the reasonable fees and expenses of the Authority (including the Authority's closing fee with respect to the 2021 Bonds) and the Trustee and any paying agent, remarketing agent or other fiduciary or agent appointed under the Indenture, including reasonable legal fees and expenses, in connection with the issuance of any Obligations, the administration of the Indenture, the performance of the Authority's obligations under the Service Agreement, or in connection with inquiring into, or enforcing the performance of, the City's obligations under the Service Agreement or the Indenture. "Administrative Expenses" do not include annual fees or any other amounts required to be paid by the City to the Authority pursuant to the Intergovernmental Cooperation Agreement between the Authority and the City relating to the Program.

"**Annual Debt Service Requirement**" shall mean, with respect to each Fiscal Year, the sum of the amounts required to be paid by the Authority in such Fiscal Year for (i) the payment of principal and mandatory sinking fund redemptions of and interest on, or any other payments with respect to, the Obligations and (ii) the payment of any Credit Facility Payment Obligations.

"**Authorized Representative of the Authority**" shall include the Chair, Vice Chair, Executive Director, Acting Executive Director, Director of Finance & Administration, Director of Housing Finance, Secretary and Assistant Secretary of the Authority.

"**Authorized Representative of the City**" shall include the City Treasurer, the Director of Finance or any other Person designated as such in a writing signed by the City Treasurer or the Director of Finance.

"Best" shall mean A.M. Best Rating Services, Inc. and any successor thereto.

"**Certified Resolution**" shall mean one or more resolutions of the governing body of the Authority, certified by the Secretary or Assistant Secretary of the Authority, under its seal, to have been duly adopted or enacted and to be in full force and effect as of the date of certification.

"**Cost**" or "**Costs**" shall mean all costs of the Project which the City or the Authority or either of them is authorized to incur under applicable law (including the Act, the Redevelopment Cooperation Law and the Ordinance) and includes Costs of Issuance; provided, that if such Obligations were issued as tax-exempt obligations for purposes of federal income taxation, an opinion of nationally-recognized bond counsel, selected by the Authority at the direction of the City, shall be delivered to the Trustee to the effect that the payment of principal of and/or interest on such Obligations will not, in and of itself, adversely affect the exclusion of interest thereon from gross income for purposes of federal income taxation.

"**Costs of Issuance**" shall mean the costs of issuance of Obligations, including without limitation underwriting fees; costs of financial, legal, professional and other advice; costs related to a Credit Facility payable in connection with the issuance of such Obligations; and any other expenses as may be necessary or incident to the issuance of such Obligations.

"**Counsel**" shall mean an attorney at law or law firm (which may include counsel to the Authority or the City) not unsatisfactory to the Authority or the City.

"**Credit Facility**" shall mean any letter of credit, surety bond, insurance policy, standby bond purchase agreement, line of credit or other credit facility or liquidity facility issued or entered into for the benefit of the Holders of the Obligations of any series or any portion thereof to further secure payment of the principal of (including any mandatory sinking fund redemptions), purchase price of, if applicable, and interest on such Obligations.

"**Credit Facility Payment Obligations**" shall mean all payment and reimbursement obligations of the Authority to a Credit Issuer in connection with any Credit Facility securing all or a portion of any series of Obligations. The Authority's obligations to pay the principal of (including any mandatory sinking fund redemptions) and interest on Obligations held by a Credit Issuer (whether by purchase, subrogation, foreclosure of a pledge of such Obligations or otherwise) shall be Payment Obligations and shall not be Credit Facility Payment Obligations. The Trustee may conclusively rely upon a certificate furnished by the applicable Credit Issuer as to amounts owing to the Credit Issuer as Payment Obligations.

"**Credit Issuer**" shall mean each provider of a Credit Facility.

"**Event of Default**" shall mean any of the events described under the caption "THE INDENTURE – Events of Default and Remedies under the Indenture – Events of Default Defined" and "THE SERVICE AGREEMENT – Events of Default under the Service Agreement" below.

"**Fiscal Year**" shall mean the annual accounting year of the City, which currently begins on July 1 of each year.

"**Fund**" shall mean any fund authorized to be established by the Indenture.

"**Government Obligations**" shall mean direct obligations of, or obligations the timely payment of the principal of and interest on which is fully and unconditionally guaranteed by, the United States of America.

"**Holders**" or "**Holder**" (when used with respect to Obligations) shall mean the Person in whose name any Obligation is registered pursuant to the Indenture. A Credit Issuer which owns Obligations by purchase or which is subrogated to the rights of Holders of the Obligations is a Holder of the Obligation for purposes of the Indenture.

"**Independent**" shall mean, with respect to any Person, a Person (i) who is not a member of the Board of the Authority or an elected official of the City; (ii) who is not an officer or employee of the Authority or the City; (iii) which is not a partnership, corporation or association having a partner, director, or officer, who is a member of the Board of the Authority or an elected official of the City, or who is an officer or employee of the Authority or the City; provided, however, that the fact that such Person or entity is retained regularly by or transacts business with the Authority or the City shall not make such Person or entity an employee of the Authority or the City.

"**Independent Certified Public Accountant**" shall mean an Independent accountant or accounting firm which is appointed by the Authority for the purpose of examining and reporting on or passing on questions relating to the financial statements of the Authority or the City, has all certifications necessary for the performance of such services and has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors.

"**Interest Payment Date**" shall with respect to the 2021 Bonds be as described in the front portion of the Official Statement and for any Additional Obligations be as set forth in a Supplemental Indenture providing for the issuance thereof.

"**Investment Securities**" shall mean:

(1) Government Obligations.

(2) Any bond, debenture, note, participation certificate or other similar obligation issued by any one or combination of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, the Student Loan Marketing Association and Export-Import Bank of the United States.

(3) Any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by any other Federal agency and backed by the full faith and credit of the United States of America.

(4) Deposits in interest-bearing time or demand deposits, or certificates of deposit, fully insured by the Federal Deposit Insurance Corporation, or its successors, or fully secured by any of the obligations described in paragraphs (1), (2) or (3) above to the extent not so insured.

(5) Repurchase agreements relating to, or investment agreements secured by or providing for the acquisition of and, if applicable, resale of, obligations described in paragraphs (1) or (2) above, with: (i) banks or trust companies (which may include any banking entity or depository); (ii) brokers or broker-dealers registered under the Securities Exchange Act of 1934 which are members of the Securities Investors' Protection Corporation and which are acceptable to the City; or (iii) insurance companies rated A+ or better by Best's having a net capital and surplus of at least $25,000,000; provided that any such repurchase agreement or investment agreement shall meet the following requirements: (A) the repurchase or investment agreement must be secured in the principal amount thereof by securities described in paragraphs (1) or (2) above having at all times a fair market value of at least 100% of such

agreement and deposited with the Trustee or its agents as collateral therefor, (B) the Trustee shall have a perfected first security interest in such collateral securities, and (C) the collateral securities shall be owned by the pledgor free and clear of any liens or security interests other than that of the Trustee.

(6) Certificates of deposit with such banks or trust companies as described in paragraph (5)(i) above fully secured as to principal and accrued interest by obligations described in paragraphs (1) through (4) deposited with or subject to the control of the Authority or the Trustee.

(7) Money market deposit accounts of banks or trust companies having a net capital and surplus of at least $25,000,000 (which may include the Trustee or any affiliate thereof).

The authorized investments described above in paragraphs (5), (6) and (7) shall only be made if they provide for the repayment of the principal amount invested at an amount not less than that so invested. Whenever security is required as set forth in an applicable preceding paragraph, such security shall be deposited with the Trustee or other agent of the Trustee satisfactory to the Trustee and the City.

(8) Direct and general obligations of any state of the United States, for which the full faith and credit of such state is pledged, if at the time of their purchase such obligations are rated in any of the two highest rating categories by either S&P or Moody's or upon the discontinuance of either or both of such services, such other nationally recognized rating service or services, as the case may be, as shall be determined by an Authorized Representative of the City.

(9) Shares of open-end, diversified investment companies (i) registered under the Investment Company Act of 1940, (ii) investing exclusively in Investment Securities of the types described in subparagraph (1) or (2) of the definition of "Investment Securities" above, (iii) maintaining a constant net asset value per share in accordance with regulations of the Securities and Exchange Commission, and (iv) individually having aggregate net assets of not less than $10,000,000 on the date of purchase; provided that the purchase of shares of any particular investment company shall be limited to an aggregate amount of not more than 5% of the aggregate net assets of that investment company on the date of purchase.

(10) Commercial paper rated, at the time of purchase, in the highest category by S&P and Moody's.

(11) Investment agreements with, or which are guaranteed by, a financial institution or financial services company which has an unsecured, uninsured and unguaranteed obligation rated, at the time such agreement is entered into, in one of the three highest rating categories by Moody's or S&P, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, or is an insurance company or insurance holding company with a claims paying ability rated in one of the three highest categories, provided (i) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with Interest Payment Dates, (ii) moneys invested thereunder may be withdrawn without any penalty, premium or charge upon not more than seven days' notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date); (iii) the agreement is not subordinated to any other obligations of such financial institution or bank, (iv) the same guaranteed interest rate will be paid on any future deposits permitted to be made under such investment agreement, and (v) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such financial institution.

(12) Any other investment permitted under the then-current Investment Policy of the City.

"**Moody's**" shall mean Moody's Investors Service, Inc. and any successor thereto.

"**Obligation**" or "**Obligations**" shall mean the 2021 Bonds and any Additional Obligations.

"**Outstanding**" shall mean, with respect to the Obligations, all Obligations authenticated and delivered under the Indenture, except: (a) all Obligations theretofore cancelled or required to be cancelled under the Indenture; (b) Obligations for the payment of which provision has been made in accordance with the Indenture; and (c) Obligations in substitution for which other Obligations have been authenticated and delivered pursuant to the Indenture.

"**Paying Agent**" or "**Co-Paying Agent**" means any national banking association, bank and trust company or trust company appointed by the Authority pursuant to the Indenture.

"**Payment Date**" shall mean a date on which a payment of principal (including any mandatory sinking fund redemptions) or interest or any other amounts with respect to any Obligations or payment of any Credit Facility Payment Obligations shall be due and payable.

"**Payment Obligations**" shall mean the Authority's obligation to repay the Obligations.

"**Person**" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a limited liability company, a trust, an unincorporated organization, a governmental unit or an agency, political subdivision or instrumentality thereof, or any other group or organization of individuals.

"**Register**" shall mean the register maintained by the Registrar for the Obligations which provides for the registration of Obligations and of their transfer.

"**Registrar**" shall mean a person or persons designated by the Authority to act as registrar and transfer agent for the Obligations. (The Trustee has been designated initially as Registrar.)

"**Reserved Rights**" shall mean the rights of the Authority to receive payments, and the right to enforce each of the same, of Administrative Expenses and certain rights of the Authority under the Service Agreement including: certain indemnification rights of the Authority; defenses and immunities which the Authority has under the Pennsylvania Political Subdivision Tort Claims Act or the Commonwealth Agency Act; and certain limitations on the liability of the Authority providing that no provision of the Service Agreement shall give rise to a charge upon the general credit of the Authority, including without limitation in respect of general liability for repayment of the Obligations or Credit Facility Payment Obligations.

"**Responsible Officer**" shall mean, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of the Indenture.

"**Revenues**" shall mean (i) the Service Fee and all other amounts payable to the Authority by the City under the Service Agreement, and all rights to receive the same (except for payments with respect to the Reserved Rights), (ii) all moneys, investments and securities at any time and from time to time held in the Funds and Accounts including all interest earnings and gains on sales of Investment Securities on deposit in such Funds and Accounts established under the Indenture, and (iii) any other amounts appropriated by the City and paid by the City to the Authority or the Trustee and pledged by the Authority as security for the payment of Payment Obligations and Credit Facility Payment Obligations or received from any other source by the Authority or the Trustee and pledged by the Authority as security for the payment of Payment Obligations and Credit Facility Payment Obligations.

"**S&P**" shall mean S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, a division of S&P Global Inc. and any successor thereto.

"**Supplemental Indenture**" or "indenture supplemental thereto" shall mean any indenture amending or supplementing the Indenture which may be entered into in accordance with the provisions of the Indenture.

"**2021 Bonds"** or **"2021 Obligations**" shall mean the 2021A Bonds and the 2021B Bonds.

THE INDENTURE

Pledge of the Trust Estate

The pledge of the Trust Estate is described in the forepart of this Official Statement under "SECURITY AND SOURCES OF PAYMENT FOR THE 2021 BONDS – Indenture."

Issuance of Additional Obligations

Additional Obligations may be issued upon the satisfaction of the conditions set forth in the Supplemental Indenture providing for the issuance thereof; provided that no Additional Obligation may be issued under the Indenture unless the City executes and delivers to the Authority an amendment or supplement to the Service Agreement acknowledging the issuance of such Additional Obligations and confirming the obligations of the City to pay the Service Fee in amounts sufficient to pay the Payment Obligations with respect to such Additional Obligations. Proceeds of Additional Obligations shall be deposited as set forth in the Supplemental Indenture providing for the issuance thereof.

Project Fund

Establishment of Project Fund; Accounts within Fund. The Trustee shall establish a Project Fund for the payment of Costs of the Project (including Costs of Issuance) and shall deposit into the Project Fund the specified proceeds of the 2021 Bonds in accordance with the written directions delivered pursuant to the Indenture. Separate Accounts within the Project Fund will be established for the proceeds of each series of Obligations, including the 2021A Bonds and 2021B Bonds, respectively. All amounts deposited or transferred into the Project Fund shall be held for the security of all Outstanding Obligations and Credit Facility Payment Obligations in the order described under "Events of Default and Remedies under the Indenture – Application of Moneys in Event of Default." Further, accounts and subaccounts within the Project Fund shall be maintained by the Trustee at the written direction of an Authorized Representative of the City if the City determines that such separate account or subaccount is desirable with respect to designated portions of the Project.

The Authority shall promptly transfer, or cause to be transferred, to the Trustee for deposit to the Project Fund any original unspent proceeds of Obligations once the Authority reasonably determines that such proceeds will not be able to be applied for their requisitioned purposes.

Payments from Project Fund. Payments from the Project Fund established under the Indenture shall be made in respect of Costs of the Project (including Costs of Issuance) upon compliance with the requirements of the Indenture.

Revenues of the Authority, and the Application Thereof to Funds

Revenues to Be Paid Over to Trustee. The Revenues and all moneys, securities and funds held or set aside or to be held or set aside pursuant to the Indenture by the Trustee or in any Fund, Account or subaccount created by the Indenture and all other pledged property comprising the Trust Estate are pledged and a security interest is therein granted, to secure the payment of the Payment Obligations and Credit Facility Payment Obligations; provided, however, that the pledge and security interest granted in the Indenture to secure the Authority's obligation to pay Credit Facility Payment Obligations shall be subject and subordinate to the pledge and security interest therein granted to secure Payment Obligations. The pledge of the Trust Estate under the Indenture as security for the performance of all obligations of the Authority under the Indenture shall be valid and binding from the time such pledge is made. The Trust Estate shall immediately be subject to the lien of the Indenture without any physical delivery thereof or further act. The Authority shall pay or cause to be paid the Revenues directly to the Trustee. Upon receipt of any Revenues, or other amounts forming a part of the Trust Estate under the Indenture, the Trustee shall deposit the same in the appropriate Fund or Funds established under the Indenture. Except as otherwise provided in the Indenture, the Trust Estate under the Indenture shall be collected, held and applied for the equal and ratable benefit and security of all Holders of the Obligations.

Revenue Fund; Application Thereof. The Trustee shall establish a Revenue Fund, into which it shall deposit all Revenues received by it. Amounts on deposit in the Revenue Fund shall be deposited, on each Payment Date, first, to the Debt Service Fund, to the extent (if any) needed to increase the amount in the Debt Service Fund so that it equals the Payment Obligations due on such Payment Date, and second, into the Subordinated Payment Obligations Fund, the amount of any Credit Facility Payment Obligations due on such Payment Date.

Debt Service Fund, Application Thereof. The Trustee shall establish and maintain a Debt Service Fund. Moneys on deposit in the Debt Service Fund shall be applied on each Payment Date as follows:

(a) to the payment, when due, of interest on all Outstanding Obligations (including accrued interest due upon redemption); and

(b) to the payment, when due, of the principal of Obligations then payable at maturity or mandatory sinking fund redemption (but, except as otherwise provided in the Indenture, only upon surrender of such Obligations), subject to reduction by the principal amount of Obligations of the same series, maturity and interest rate purchased by the Authority at the direction of the City and surrendered to the Trustee for cancellation or purchased for cancellation by the Trustee as described in subparagraph (c) below.

(c) during the 12-month period preceding each principal maturity or mandatory sinking fund redemption date, the Trustee shall, at the written request of the Authority at the direction of the City, accept the purchase of Obligations of the series, maturity and interest rate becoming due or subject to mandatory redemption on such date from funds in the Debt Service Fund; provided, however, that no such purchase shall be made unless the purchase price does not exceed 100% of the principal amount of the Obligations so to be purchased plus accrued interest.

Payments from the Debt Service Fund shall be made ratably (to the extent payable on the same date) by the Trustee according to amounts due in respect of each Obligation without preference of one Obligation over another.

Subordinated Payment Obligations Fund; Application Thereof. The Trustee shall establish a Subordinated Payment Obligations Fund into which the Trustee shall deposit for each series of Obligations amounts required to be deposited therein with respect to any Credit Facility Payment Obligations. The Trustee shall withdraw from the Subordinated Payment Obligations Fund on each Payment Date the amount of any Credit Facility Payment Obligations due on such date and shall cause the same to be paid to the applicable Credit Issuer. Payments from the Subordinated Payment Obligations Fund shall be made ratably (to the extent payable on the same date) by the Trustee according to the amounts due in respect of each Credit Facility Payment Obligation without priority or preference of one Credit Facility Payment Obligation over another.

Procedure When Funds Are Sufficient to Pay All Obligations. If at any time the amounts held by the Trustee in the Funds (other than the Project Fund) established under the Indenture are sufficient to pay principal of and interest on all Obligations then Outstanding to maturity or prior redemption, together with any amounts due the Trustee, the Trustee shall so notify the Authority and the City and, if so directed by the City, the Trustee shall apply the amounts in the Funds to the payment of the aforesaid Obligations to effect a defeasance of the Obligations in accordance with the Indenture.

Moneys to Be Held for All Holders of the Obligations, With Certain Exceptions. Until applied as provided in the Indenture, moneys and investments held in all Funds and Accounts established and held under the lien of the Indenture shall be held in trust for the benefit of the holders of all Outstanding Obligations and each Credit Issuer, except that: (a) on and after the date on which the interest on and principal (including any mandatory sinking fund redemptions) of any particular Obligation or Obligations is due and payable from the Debt Service Fund, the unexpended balance of the amount deposited or reserved in such Fund for the making of such payments shall, to the extent necessary therefor, be held for the benefit of the Holder of the Obligations or Holders of the Obligations entitled thereto; and (b) the rights of any Holders of the Obligations with respect to principal or interest payments extended beyond their due dates pursuant to the Indenture shall be subordinate to the rights of Holders of the Obligations with respect to payments not so extended.

Security for and Investment or Deposit of Funds

Deposits and Security Therefor. All moneys received by the Trustee under the Indenture for deposit in any Fund or Account established thereunder shall be considered trust funds, shall not be subject to lien or attachment and shall, except as hereinafter described, be deposited in the trust department of the Trustee, until or unless invested or deposited as provided in the provisions of the Indenture described under "Investment or Deposit of Funds" below. All deposits in the trust department of the Trustee (whether or not original deposits under the Indenture) shall be secured as provided by law for such trust deposits. If at any time the trust department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may at the direction of an Authorized Representative of the City, deposit such moneys with any other depository which is authorized to receive them and which is able to secure them as described above.

Investment or Deposit of Funds. Moneys on deposit in the Funds established pursuant to the Indenture shall be invested and reinvested by the Trustee at the direction of an Authorized Representative of the City. All investments shall constitute Investment Securities and shall mature, or be subject to repurchase, withdrawal without penalty or redemption at the option of the holder on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes of the Indenture.

The principal of the Investment Securities and the earnings thereon, including interest, income and net profits received in respect thereof, shall be applied upon receipt as follows: (i) earnings on the Revenue Fund, the Settlement Fund, the Project Fund, the Subordinated Payment Obligations Fund, and the Debt Service Fund shall in each case be retained in such Fund or Account; and (ii) whenever any other transfer or payment is required to be made from any particular Fund, such transfer or payment shall be made from such combination of maturing principal, redemption or repurchase prices, liquidation proceeds and withdrawals of principal as the Authority at the direction of the City deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any Investment Securities to be redeemed, withdrawn or sold, and any penalties, gains or losses to be realized upon any such redemption, withdrawal or sale.

The Trustee shall not be accountable for any depreciation in the value of the Investment Securities or any losses incurred upon any authorized disposition thereof.

Valuation of Funds. The Trustee shall value the assets in each of the Funds or Account established under the Indenture as of June 30 of each year, or more frequently at the direction of the City or the Authority, at their amortized cost, not including accrued interest, after taking into account all transfers or payments then required to be made from each Fund or Account. As soon as practicable after each such date of valuation, the Trustee shall furnish to the Authority and the City a report of the status of each Fund or Account as of such date. In computing the assets of any Fund or Account, investments, not including accrued interest thereon, shall be deemed a part thereof, subject to the provisions of the Indenture.

Covenants of Authority

The covenants of the Authority under the Indenture include:

Payment of Obligations. The Authority shall promptly pay the interest on and the principal and redemption price of Obligations, but only out of the Trust Estate.

Corporate Existence and Maintenance of Power and Service Agreement. The Authority shall (a) maintain its corporate existence, (b) maintain its power to perform its obligations under the Indenture, and (c) maintain the Service Agreement in full force and effect.

Compliance with Service Agreement. The Authority covenants and agrees that (i) it shall comply with all applicable provisions of the Service Agreement, as if contained in the Indenture; (ii) it shall enforce against the City the obligations of the City under the Service Agreement, including, without limitation, the obligation to pay the Service Fee when due; (iii) it shall cause a true and correct copy of the Service Agreement to be filed with the Trustee, and a true and correct copy of any amendment to the Service Agreement to be filed with the Trustee; and (iv) it shall furnish to the Trustee such documents, certificates and reports as it may be required under the terms of the Service Agreement to deliver to the City from time to time, whether or not otherwise specifically required under the Indenture.

Extension of Time for Payment. The Authority shall not directly or indirectly extend or assent to the extension of the time for payment of the principal of or interest on any Obligations and shall not directly or indirectly be a party to or approve any arrangement therefor. Notwithstanding the foregoing, the Holder of any Obligation may extend the time for payment of the principal of or interest on such Obligation; provided, however, that upon the occurrence of an Event of Default, funds available under the Indenture for the payment of the principal of and interest on the Obligations shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

Further Assurances; Additional Revenues. The Authority shall not enter into any contract or take any action by which the rights under the Indenture of the Trustee or the Holders of the Obligations, or Credit Issuers may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Indenture and each Supplemental Indenture and for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee the Trust Estate. If at any time the Authority receives any Revenues which are not assigned to the Trustee, it shall promptly pay the same to the Trustee for deposit in the Revenue Fund and, at the request of the Trustee, shall execute and deliver an assignment of its right, title and interest in and to future income or payments of the same type to the Trustee to be held as part of Revenues and file or record such assignment as may be appropriate to perfect the security interest created by the Indenture.

Creation of Liens. The Authority shall not issue any bonds, notes, debentures or other evidences of indebtedness of a similar nature, other than the Obligations, and Credit Facility Payment Obligations, payable out of or secured by a pledge or assignment of the Trust Estate and shall not create or cause to be created any lien or charge on the Trust Estate.

Events of Default and Remedies under the Indenture

Events of Default Defined. Each of the following shall be an Event of Default under the Indenture:

(i) if payment of any installment of interest on the Obligations is not made when it becomes due and payable; or

(ii) if payment of the principal of any Obligation is not made when it becomes due and payable at maturity or mandatory sinking fund redemption; or

(iii) if the Authority defaults in the due and punctual performance of any other covenant in the Obligations or in the Indenture and such default continues for sixty (60) days after written notice requiring the same to be remedied shall have been given to the Authority and the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of any Credit Issuer or the Holders of not less than 25% in principal amount of Obligations then Outstanding; provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such sixty (60)-day period, no Event of Default shall be deemed to have occurred or exist if and so long as the Authority or the City shall commence such performance within such sixty (60)-day period and shall diligently and continuously prosecute the same to completion and provides the Trustee with a certification to that effect; or

(iv) if the City fails to pay the Service Fee at the times and in the amounts required under the Service Agreement and any grace period with respect to such failure under the Service Agreement shall have lapsed.

The Trustee shall notify the Authority, the City, each Credit Issuer and all Holders of the Obligations in accordance with the provisions of the Indenture of the occurrence of any Event of Default.

The Service Agreement provides that an acceleration of the Authority's payment obligations with respect to the Obligations or with respect to any Credit Facility Payment Obligation shall not cause an acceleration of the payment of the Service Fee thereunder.

Acceleration and Annulment Thereof. If any Event of Default described under paragraphs (i), (ii), or (iii) of the caption "Events of Default Defined" above has occurred and is continuing, the Trustee may, and at the written direction of the Holders of a majority in principal amount of the Obligations then Outstanding the Trustee shall, by notice in writing to the Authority, declare the principal of all Obligations then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Obligations to the contrary notwithstanding; provided, however, that no such declaration shall be made, if the Authority or the City cures such Event of Default prior to the date of the declaration.

If after the principal of the Obligations has been so declared to be due and payable, all arrears of principal and interest upon the Obligations are paid by the Authority, and the Authority also performs all other things in respect to which the Authority may have been in default under the Indenture and pays the reasonable charges of the Trustee and the Holders of the Obligations, including reasonable attorney's fees, then, and in every such case, the Trustee may annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Holders of Obligations issued under the Indenture; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Legal Proceedings by Trustee. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Obligations then Outstanding and receipt of indemnity to its satisfaction shall, in its own name: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders of the Obligations including the right to require the Authority to enforce collection of all amounts due and payable under the Service Agreement (other than with respect to the Reserved Rights) and to require the Authority to carry out any other agreements with, or for the benefit of, the Holders of the Obligations and to perform its duties under the Act; (b) bring suit upon the Obligations; (c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Holders of the Obligations; and (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Obligations and the Credit Issuers.

Discontinuance of Proceedings by Trustee. If any proceeding taken by the Trustee on account of any default is discontinued or is determined adversely to the Trustee, then the Authority, the Trustee, the Credit Issuers and the Holders of the Obligations shall be restored to their former positions and rights under the Indenture as though no such proceeding had been taken.

Holders of the Obligations May Direct Proceedings. The Holders of a majority in principal amount of the Obligations then Outstanding under the Indenture shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided such directions shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders of the Obligations not parties to such direction.

Limitations on Actions by Holders of the Obligations. No Holder of the Obligations shall have any right to pursue any remedy under the Indenture unless (a) the Trustee shall have been given written notice of an Event of Default, (b) the Holders of at least a majority in principal amount of the Obligations then Outstanding shall have requested the Trustee, in writing, to exercise the powers granted as described above or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity and security satisfactory to it against fees, costs, expenses and liabilities, including reasonable attorneys' fees, and (d) the Trustee shall have failed to comply with such request within a reasonable time.

Trustee May Enforce Rights Without Possession of Obligations. All rights under the Indenture and the Obligations may be enforced by the Trustee without the possession of any Obligations or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Holders of the Obligations.

Remedies Not Exclusive. Except as limited under certain provisions of the Indenture, no remedy conferred in the Indenture is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute, including, without limitation, all remedies given under the Act.

Delays and Omissions Not To Impair Rights. No delay or omission in respect of exercising any right or power accruing upon any default shall impair such right or power or be a waiver of such default, and every remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys in Event of Default. Subject to the provisions of the Indenture described above under the caption "Revenues of the Authority, and the Application Thereof to Funds – Moneys to be Held for All Holders of the Obligations, With Certain Exceptions" any moneys on deposit in any Fund or Account established under the Indenture and any moneys received by the Trustee under the provisions of the Indenture described under the caption "Events of Default and Remedies under the Indenture" shall be applied after the occurrence of an Event of Default under the Indenture,

> First: To the payment of the costs of the Trustee, including counsel fees, any disbursements of the Trustee with interest thereon and its reasonable compensation and the creation of a reasonable reserve for anticipated fees, costs and expenses;
>
> Second: Subject to the provisions of the Indenture permitting the Holders of Obligations to extend the time for payment of the principal of or interest on Obligations, to the payment of all interest on Outstanding Obligations then due or, if the amount available is insufficient for such purpose, to the payment of interest ratably in accordance with the amount due in respect of each Obligation;
>
> Third: Subject to the provisions of the Indenture permitting the Holders of Obligations to extend the time for payment of the principal of or interest on Obligations, to the payment of the outstanding principal amount of all Obligations or, if the amount available for the payment of principal is insufficient for such purpose, to the payment of principal ratably in accordance with the amount due in respect of each Obligation;
>
> Fourth: To the payment to any Credit Issuer of any Credit Facility Payment Obligation then due or, if the amount available is insufficient for such purpose, to the payment of Credit Facility Payment Obligations ratably in accordance with the amount due in respect of each Credit Facility Payment Obligation; and
>
> Fifth: To the payment of any accrued and unpaid Administrative Expenses due under the Service Agreement.

The surplus, if any, shall be paid to the City or the person lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Trustee's Right to Receiver; Compliance with Act. To the extent provided by Section 1717 or any other provision of the Act, the Trustee shall be entitled as of right to the appointment of a receiver if an

Event of Default under the Indenture shall have occurred and be continuing; and the Trustee, the Credit Issuers, the Holders of the Obligations, any persons entitled to payment under any Related Obligations and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act or other applicable law.

Trustee and Holders of the Obligations Entitled to All Remedies Under Act. It is the purpose of the Indenture to provide such remedies to the Trustee and Holders of the Obligations as may be lawfully granted under the Section 1716 or any other provision of the Act; but should any remedy granted in the Indenture be held unlawful, the Trustee, and the Holders of the Obligations shall nevertheless be entitled to every other remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of the Indenture described above under the caption "Events of Default and Remedies under the Indenture" shall apply to and be binding upon the trustee or receiver appointed under the Act.

Direction of Remedies by a Credit Issuer. Except as otherwise specifically provided in the provisions of the Indenture described above under the caption "Events of Default and Remedies under the Indenture," each Credit Issuer issuing a Credit Facility securing Obligations shall have the right to direct the Trustee in the exercise of remedies under the provisions of the Indenture described above under the caption "Events of Default and Remedies under the Indenture" (including, without limitation, the declaration of the acceleration of the maturity of such Obligations or any annulment of such declaration) on behalf of and in lieu of the Holders of the Obligations Outstanding that are entitled to the benefit of the Credit Facility issued by it so long as the Credit Issuer shall not be in default of its payment obligations under the Credit Facility issued by it and provided that the Credit Facility issued by it remains in full force and effect.

The Trustee

Acceptance of Trust. The Trustee accepts and agrees to execute the trusts created by the Indenture, but only upon the additional terms set forth therein, to all of which the parties to the Indenture and the Holders of the Obligations agree. The Trustee, in acting in any other capacity under the Indenture, shall be afforded the same protections as though acting as the Trustee. The Trustee before the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

Notice of Default; Right to Investigate. The Trustee shall give written notice to all Holders of the Obligations and to each Credit Issuer by first class mail of each Event of Default known to the Trustee within 90 days (30 days in the case of notices to the Credit Issuers) after a responsible officer of the Trustee obtains actual knowledge of such Event of Default; provided that, except in the case of a default in payment of principal, redemption price or interest, the Trustee may withhold such notice to the Holders of the Obligations (but not to any Credit Issuer) so long as it in good faith determines that such withholding is in the interest of the Holders of the Obligations. The Trustee shall not be deemed to have notice of any Event of Default unless it has actual knowledge of such Event of Default or it has been notified in writing of such Event of Default by the Authority or by the holders of at least a majority in principal amount of the Obligations then Outstanding or any Credit Issuer. The Trustee may, however, at any time require of the Authority full information as to the performance of any covenant under the Indenture; and if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Authority, an investigation into the affairs of the Authority related to the Indenture.

Obligation to Act on Defaults. The Trustee shall be under no obligation to take any action in respect of any default or otherwise, except a default with respect to the payment of principal or interest as the same shall become due and payable upon maturity or mandatory sinking fund redemption, unless it is requested in writing to do so by the Holders of at least a majority in principal amount of the Obligations then Outstanding and, if in its opinion such action may tend to involve expense or liability, unless it is also furnished with indemnity and security satisfactory to it.

Trustee May Deal in Obligations. The Trustee may in good faith buy, sell, own, hold and deal in any of the Obligations and may join in any action which any Holders of the Obligations may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee may also engage in or be interested in financial or other transactions with the Authority; provided that such transactions are not in conflict with its duties under the Indenture.

Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Secretary of the Authority not less than sixty (60) days before the date when such resignation is intended to take effect; provided that notice of any such resignation shall be mailed by the resigning Trustee to the Holders of all Outstanding Obligations at their registered addresses, all persons entitled to payment under any Related Obligations and each Credit Issuer not less than 30 days prior to the intended effective date of the resignation, and that no resignation shall take effect until a successor Trustee has been appointed and has accepted such appointment. In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the provisions of the Indenture prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the retiring Trustee or any Holder of the Obligations may forthwith apply to a court of competent jurisdiction for the appointment of a successor Trustee. Such court may thereupon (after such notice, if any, as it may deem proper and prescribe), appoint a successor Trustee.

Removal of Trustee. Any Trustee under the Indenture may be removed upon thirty (30) days' prior notice at any time by an instrument appointing a successor to the Trustee so removed, executed by the Authority at the written direction of the City (if no Event of Default under the Indenture has occurred and is continuing) or otherwise executed by the Holders of a majority in principal amount of the Obligations then Outstanding and filed with the Trustee, the Authority and each Credit Issuer. Any such removal shall be effective on the date on which a successor Trustee has been appointed and has accepted such appointment. Notice of any such removal shall be mailed promptly by the Authority to the Holders of all Outstanding Obligations at their registered addresses.

Appointment of Successor Trustee. If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, the Authority at the written direction of the City shall appoint a successor and shall mail or cause to be mailed notice of such appointment. If the Authority fails to make such appointment within thirty (30) days, the appointment may be made by the Holders of a majority in principal amount of the Obligations then Outstanding. Notice of any such appointment shall be mailed promptly by the successor Trustee to the Holders of all Outstanding Obligations at their registered addresses.

Qualification of Successor. A successor trustee shall be a national bank with trust powers, a banking association with trust powers, or a bank and trust company or a trust company organized under the laws of the Commonwealth, in each case having a combined net capital and surplus of at least $50,000,000 (or the obligations and liabilities of which are irrevocably and unconditionally guaranteed by an affiliated company having a combined net capital and surplus of at least $50,000,000).

Amendments and Supplements to the Indenture

Amendments and Supplements without the Consent of the Holders of the Obligations. The Indenture may be amended or supplemented from time to time, without the consent of the Holders of the Obligations, but with the consent of the City by a Supplemental Indenture authorized by a Certified Resolution of the Authority filed with the Trustee, for one or more of the following purposes: (a) to add additional covenants of the Authority or to surrender any right or power conferred in the Indenture upon the Authority; (b) to cure any ambiguity or to cure any defect in the Indenture in such manner as shall not be inconsistent with the provisions thereof; (c) to modify, supplement, alter or amend the provisions of the Indenture in such manner as may be requested by a securities rating service in order to obtain a securities rating or ratings for any Obligations or to maintain or improve any such rating or ratings previously obtained; (d) to modify, supplement, alter or amend the provisions of the Indenture in such manner as may be necessary or appropriate to conform the provisions of the Indenture to the provisions of the Service Agreement as it may be amended from time to time; (e) to set forth such matters (not inconsistent with the provisions of the Indenture) as may be necessary or appropriate in connection with the issuance of any series of Obligations or the incurrence of any Related Obligations; or (f) to make such other changes in the Indenture as the Authority deems appropriate; provided that the provision described in the foregoing clause (f) shall not permit amendments or supplements to be made which materially adversely affect the security of the Indenture or the rights of Holders of the Obligations under the Indenture.

Amendments with the Consent of the Holders of the Obligations. The Indenture may be amended from time to time, with the consent of the City, by a Supplemental Indenture approved by the Holders of at least a majority in aggregate principal amount of the Obligations then Outstanding; provided, that (a) no amendment shall be made which adversely affects the rights of some but less than all series of Obligations without the consent of the Holders of at least a majority of the then Outstanding Obligations so affected, and (b) no amendment which alters the interest rates on or principal amounts of any Obligations, the maturities, mandatory redemption provisions or Interest Payment Dates of any Obligations or the provisions of the Indenture described under the caption "Amendments and Supplements to the Indenture" may be made without the consent of the Holders of all Outstanding Obligations adversely affected thereby.

A Credit Issuer of a Credit Facility securing a series of Obligations shall have the right to consent to amendments on behalf of and in lieu of the Holders of the Obligations of such Series (except with respect to the matters referred to in the proviso of the immediately preceding paragraph), so long as such Credit Issuer shall not be in default of its obligations under such Credit Facility and provided the Credit Facility remains in full force and effect.

Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel. The Trustee is authorized to join with the Authority in the execution and delivery of any Supplemental Indenture or amendment permitted by the Indenture and in so doing shall be fully protected by an opinion of Counsel that such Supplemental Indenture or amendment is so permitted and has been duly authorized by the Authority and that all things necessary to make it a valid and binding agreement have been done.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the provisions of the Indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under the Indenture of the Trustee, the Authority and the Holders of Obligations issued under the Indenture shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to the applicable provisions of the Supplemental Indenture so executed.

Amendments to Service Agreement. The Authority may amend or supplement the Service Agreement in connection with the issuance of Additional Obligations and to make such changes therein as may be deemed appropriate by the Authority and the City; provided, however, that the approval by the Holders of at least a majority in aggregate principal amount of the Obligations then Outstanding shall be required for any amendment or supplement to the Service Agreement that would materially adversely affect the security of the Service Agreement or of the Indenture or the rights of Holders of the Obligations under the Indenture; and provided further, that the Authority shall not amend or supplement the Service Agreement in any manner which would adversely affect the validity or enforceability of the Service Agreement.

A Credit Issuer of a Credit Facility securing a series of Obligations shall have the right to consent to amendments of the Service Agreement on behalf of and in lieu of the Owners of the Obligations of such series, so long as such Credit Issuer shall not be in default of its obligations under such Credit Facility and provided such Credit Facility remains in full force and effect.

The Trustee may require that the Authority provide an opinion of Counsel that such amendment or supplement to the Service Agreement is permitted by the Indenture and by the Service Agreement and that all things necessary to make it a valid and binding agreement have been done, and the Trustee shall be fully protected in relying on such opinion.

Defeasance

Defeasance. When all interest on and principal or redemption price (as the case may be) of, all Obligations issued under the Indenture have been paid, or there shall have been deposited with the Trustee an amount, evidenced by moneys or "escrowed obligations" (as defined below) the principal of and interest on which, when due, will provide sufficient moneys to fully pay the Obligations at the maturity date (including any mandatory sinking fund redemptions) or date fixed for redemption thereof, as well as all other sums payable under the Indenture by the Authority, and all Credit Facility Payment Obligations have been paid or provided for, the right, title and interest of the Trustee shall thereupon cease and the Trustee, on demand of the Authority at the direction of the City, shall release the Indenture and all Supplemental Indentures and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the City or to such person, body or authority as may be entitled to receive the same all balances remaining in any Funds under the Indenture.

For the purposes of the Indenture, "escrowed obligations" shall mean the following, but only to the extent they are Investment Securities at the time of delivery to the Trustee: (a) Government Obligations; (b) rights to receive the principal of or the interest on Government Obligations through (i) direct ownership, as evidenced by physical possession of such Government Obligations or unmatured interest coupons thereof or by registration as to ownership thereof on the books of the issuer or its duly authorized paying agent or transfer agent, or (ii) purchase of certificates or other instruments evidencing an undivided ownership interest in payments of the principal of or interest on Government Obligations; (c) debt obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that (i) the principal of and interest on such obligations are secured by and payable from amounts received (without reinvestment) in respect of the principal of and interest on non-callable Government Obligations, and (ii) such debt obligations are rated "AAA" by S&P, if S&P has assigned a rating to the Obligations, and "Aaa" by Moody's, if Moody's has assigned a rating to the Obligations (or, upon the discontinuation of both of the foregoing rating services, by such other nationally recognized rating service or services as may be acceptable to the Authority and the Trustee).

In the event the Authority deposits "escrowed obligations" with the Trustee as provided in the Indenture, the lien of the Indenture shall not be defeased unless the Trustee shall have received a report of an Independent Certified Public Accountant or Independent nationally recognized financial consultant verifying the sufficiency of such "escrowed obligations" for the purposes of the defeasance provisions of the Indenture.

Deposit of Funds for Payment of Obligations. If the Authority deposits with the Trustee moneys or "escrowed obligations" (as described above) the principal of and interest on which, when due, are sufficient to pay the principal or redemption price of any particular Obligation or Obligations becoming due, either at maturity (including any mandatory sinking fund redemptions) or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on the Obligation or Obligations shall cease to accrue on the due date and all liability of the Authority with respect to such Obligation or Obligations shall likewise cease, except as described in the paragraph below; provided that if such Obligations are to be redeemed prior to maturity thereof, there shall have been taken all action necessary to call such Obligations for redemption and notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice. Thereafter such Obligation or Obligations shall be deemed not to be Outstanding under the Indenture and the Holder or Holders of such Obligation or Obligations shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Obligation or Obligations, and the Trustee shall hold such funds in trust for such Holder or Holders.

Moneys deposited with the Trustee pursuant to the Indenture which remain unclaimed six (6) years after the date payment thereof becomes due shall, at the direction of the Authority or the City, if the Authority is not at the time to the knowledge of the Trustee in default with respect to any covenant in the Indenture or the Obligations contained, be paid to the Authority for and on account of the City; and the Holders of the Obligations for which the deposit was made shall thereafter be limited to a claim against the Authority; provided, however, that before making any such payment to the Authority, the Trustee shall, at the expense of the Authority, give notice to Holders of such Obligations by first class mail stating that moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be paid to the Authority.

Miscellaneous Provisions

Limitations on Recourse. No personal recourse shall be had for any claim based on the Indenture or the Obligations or any Credit Facility against any member, officer or employee, past, present or future, of the Authority or of any successor body as such, either directly or through the Authority or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise. The Obligations and the Credit Facility Payment Obligations are payable solely from the Trust Estate held under the Indenture for such purpose.

References to the Credit Issuer. References to any Credit Issuer in the Indenture or in any Supplemental Indenture shall be deemed inapplicable at any time that (A)(i) no Credit Facility issued by such Credit Issuer is in effect with respect to Obligations and (ii) no amount is owing to such Credit Issuer by the Authority or (B) such Credit Issuer is in default of its payment obligations under the Credit Facility issued by it.

THE SERVICE AGREEMENT

Additional Obligations

Upon the written request of the Director of Finance of the City, the Authority may issue Additional Obligations to refund Outstanding Obligations and to finance Costs of the Program, including amounts necessary for Costs of Issuance of such Additional Obligations, costs of credit or liquidity enhancement, and other amounts necessary to effect any refunding and may also incur Credit Facility Payment Obligations. In connection with the issuance of Additional Obligations and any incurrence of Credit Facility Payment Obligations, the Authority and the City shall enter into an appropriate supplement to the Service Agreement, subject to the provisions of the Ordinance.

Service Fee

In consideration of the undertakings by the Authority under the Service Agreement with respect to the Program, the City agrees to pay as a Service Fee in each Fiscal Year directly to the Trustee, as the assignee of the Authority, the following sums:

(a) The Annual Debt Service Requirement for such Fiscal Year, payable as follows: (i) on the business day immediately preceding the date such amount is required to be paid to the Holders of the Obligations, the amount which is equal to the principal or redemption price of the Obligations becoming due on such principal maturity or mandatory redemption date, subject to credit for other available funds in the manner provided in the Indenture; (ii) on the business day immediately preceding each Interest Payment Date, the amount which is equal to interest on the Obligations becoming due on such Interest Payment Date, subject to credit for other available funds in the manner provided in the Indenture; (iii) on the business day immediately preceding the date such amount is required to be paid to the Holders of the Obligations, any other payment due to the Holders of the Obligations becoming due on such date, subject to credit for other available funds in the manner provided in the Indenture; and (iv) on or before the dates specified in any Credit Facility, the amounts which are equal to any Credit Facility Payment Obligations becoming due on such dates, subject to credit for other available funds in the manner provided in the Indenture.

(b) Notwithstanding any other provision of the Service Agreement, an acceleration of the Authority's payment obligations with respect to the Obligations or any Credit Facility Payment Obligation shall not cause an acceleration of the payment of the Service Fee under the Service Agreement.

(c) In lieu of the portion of the payments due under (a)(i) as described above, the City, or at its written direction, the Trustee, may purchase for cancellation Obligations of the series and maturity next becoming due at maturity or upon mandatory sinking fund redemption, subject to the applicable requirements set forth in the Indenture.

The Service Fee shall be payable only out of the current revenues of the City, and the City agrees to provide for the payment of the Service Fee and include the same in its annual operating budget for each Fiscal Year. If the current revenues are insufficient to pay the total Service Fee in any Fiscal Year as the same becomes due and payable, the City covenants to include amounts not so paid in its operating budget for the ensuing Fiscal Year in order to provide sufficient current revenues to pay in each ensuing Fiscal Year such balance due in addition to the amount of Service Fee due for such ensuing Fiscal Year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Service Fee payments (and all Administrative Expense payments) due and payable under the Service Agreement in each of the City's Fiscal Years.

No Set-Off

The obligation of the City to make the payments required under the Service Agreement shall be absolute and unconditional. The City will pay without suspension, abatement, reduction, abrogation, waiver or diminution all payments required thereunder regardless of any cause or circumstance whatsoever, which may then exist or may thereafter arise, including, without limitation, any defense, setoff, recoupment or counterclaim which the City may have or assert against the Authority, the Trustee, any Holder of the Obligations, any Credit Issuer or any other person.

City to Perform Certain Covenants under Indenture

The City acknowledges that it has received an executed copy of the Indenture, and that it is familiar with its provisions, and agrees to be bound to the fullest extent permitted by law to all provisions thereof directly or indirectly relating to it, and that, in consideration of the service of the Authority rendered to the City under the Service Agreement, it will take all such actions as are required of it under the Indenture to preserve and protect the rights of the Trustee, the Holders of the Obligations and Credit Issuers thereunder and that it will not take or effect any action which would cause a default thereunder or impair such rights. The City assumes and agrees to perform all of the covenants and other obligations of the Authority under the Indenture, excepting only any approvals or consents required to be given by the Authority thereunder, and those covenants contained in the Indenture which are not within the control of the City.

Events of Default under the Service Agreement

Each of the following shall constitute an Event of Default under the Service Agreement: (a) the failure of the City to make any payment to the Trustee of the Service Fee due; (b) the failure of the City to make any other payment or to perform any other covenant, condition or agreement in the Service Agreement on its part to be performed; and (c) if the City proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the City or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, state or federal, by or against the City and if such is not vacated, dismissed or stayed on appeal within 60 days (provided that any such assignment, agreement, appointment or proceeding commenced under the First Class City Revenue Bond Act or the Municipal Utility Inventory and Receivables Financing Act, and/or any acceleration of the payment obligations in respect of any bonds, notes or other evidence of indebtedness issued under either aforementioned act, shall not be an Event of Default under the Service Agreement).

Notice of Defaults; Opportunity to Cure Such Defaults

No default described under clause (b) of the preceding paragraph shall constitute an Event of Default under the Service Agreement until actual notice of such default by registered or certified mail shall be given to the City by the Authority or the Trustee and the City shall have had 30 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, if the default cannot be corrected within such 30-day period, it shall not constitute an Event of Default under the

Service Agreement if corrective action is instituted by the City within the period and diligently pursued until the default is corrected.

Remedies

If any Event of Default under the Service Agreement shall occur and be continuing, the Authority (or the Trustee as assignee of the Authority) may at its option exercise any one or more of the following remedies: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the City to perform its duties and obligations under the Service Agreement; (b) by action or suit in equity require the City to account as if it were the trustee of an express trust for the Authority; or (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Authority. In no event (including an acceleration of the Authority's payment obligations under the Obligations or with respect to any or Credit Facility Payment Obligation) shall the due dates for payments of the Service Fee be accelerated.

Termination

The Service Agreement shall terminate on such date as the principal of and interest on, and any other payments due with respect to, all Obligations and all other amounts required under the Indenture to be paid and all other expenses payable by the City under the Service Agreement shall have been paid (or provision for such payment shall have been made as provided in the Indenture) and all other conditions of the Service Agreement and the Indenture shall have been fully satisfied.

Amendments and Supplements to the Service Agreement

The City and the Authority may enter into any written amendments or supplements to the Service Agreement as shall not adversely affect the rights of or the security of the Holders of the Obligations or persons entitled to payments on Related Obligations, only for the following purposes: (i) to cure any ambiguity, defect, or inconsistency or omission therein or in any amendment or supplement thereto; (ii) to grant to or confer upon the Authority or the Trustee any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon the Authority or the Trustee; (iii) to reflect a change in applicable law; (iv) as appropriate in connection with the issuance of Additional Obligations; or (v) to provide terms not inconsistent with the Indenture or the Service Agreement; provided, however, that the Service Agreement as so amended or supplemented shall provide at least the same security for Holders of the Obligations as the Service Agreement in its existing form.

All other amendments must be approved by the Trustee and, to the extent required by the Indenture, by the Holders of the Obligations in the manner as is set forth in the Indenture.

Any amendment or supplement to the Service Agreement (other than an amendment or supplement described in clauses (i) through (v) above under this caption) shall be approved by ordinance of the City Council and a copy of any such amendment or supplement, together with a copy of such ordinance, certified by the Clerk of the City Council, shall be filed with the Trustee.

APPENDIX E

PROPOSED FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

October 26, 2021

RE: PHILADELPHIA REDEVELOPMENT AUTHORITY
$89,685,000 City Service Agreement Revenue Bonds, Series A of 2021 (Federally Taxable Social Bonds) and
$8,875,000 City Service Agreement Revenue Bonds, Series B of 2021 (Tax-Exempt Social Bonds)

TO THE PURCHASERS OF THE 2021 BONDS:

We have served as Co-Bond Counsel to the Philadelphia Redevelopment Authority (the "Authority") in connection with the issuance of $89,685,000 aggregate principal amount of its City Service Agreement Revenue Bonds, Series A of 2021 (Federally Taxable Social Bonds) (the "2021A Bonds") and $8,875,000 aggregate principal amount of its Service Agreement Revenue Bonds, Series B of 2021 (Tax-Exempt Social Bonds) (the "2021B Bonds," and together with the 2021A Bonds, the "2021 Bonds"). The 2021 Bonds are being issued under and pursuant to the Pennsylvania Urban Redevelopment Law, Act No. 385 of the General Assembly of the Commonwealth of Pennsylvania (the "Commonwealth") approved May 24, 1945 (P.L. 991), as amended and supplemented (the "Act"), and a Trust Indenture dated as of October 1, 2021 (the "Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and pursuant to a resolution of the Authority adopted on September 8, 2021 authorizing the issuance of the 2021 Bonds (the "Resolution").

The 2021 Bonds of each series will bear interest at fixed rates and will be issued only as fully registered bonds in denominations of $5,000 and any integral multiples of $5,000 in excess thereof. The 2021 Bonds are subject to redemption as described in the Indenture.

The 2021 Bonds are being issued to finance a project (the "2021 Project") consisting of the (a) payment of certain costs of housing, small business, commercial corridors, and neighborhood infrastructure programs referred to as the "Neighborhood Preservation Initiative" in the City of Philadelphia (the "City") as further described in the Ordinance (as defined herein); and (b) payment of costs of issuance of the 2021 Bonds.

Pursuant to a Service Agreement dated as of October 1, 2021 (the "Service Agreement") between the Authority and the City, the City is required to pay to the Trustee, as assignee of the Authority, service fee payments sufficient to pay, among other things, debt service on the 2021 Bonds when due and payable. Under the Indenture, the Authority has assigned to, and granted to the Trustee, a security interest in, all of the right, title and interest of the Authority in and to, among other things, such service fee payments.

The City Council of the City by Ordinance (Bill No. 210203), adopted May 13, 2021, and approved by the Mayor of the City on May 27, 2021 (the "Ordinance"), authorized and approved, among other things, the execution and delivery of the Service Agreement and approved the issuance by the Authority of Obligations (as defined in the Ordinance), which Obligations include the 2021 Bonds, for the purposes further described in the Ordinance.

We have examined the proceedings relating to the authorization and issuance of the 2021 Bonds, including, among other things: (a) the Act, the Pennsylvania Redevelopment Cooperation Law, Act No. 383 of the General Assembly of the Commonwealth approved May 24, 1945 (P.L. 982), as amended and supplemented, and the Articles of Incorporation and By-Laws of the Authority; (b) a certified copy of the Resolution; (c) executed counterparts of the Indenture and the Service Agreement; (d) a certified copy of the Ordinance; (e) the opinions of Ryan Harmon, Esquire, General Counsel to the Authority and Turner Law, P.C., Special Counsel to the Authority, and the opinion of Diana Cortes, City Solicitor, each dated the date hereof and on each of which we have relied; (f) various certificates executed by the Authority, the City and/or the Trustee including certificates as to the authentication and delivery of the 2021 Bonds and a certificate with regard to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code") with respect to the 2021B Bonds; (g) the Form 8038-G of the Authority with respect to the 2021B Bonds; (h) the Intergovernmental Cooperation Agreement, dated October 26, 2021, between the City and the Authority with respect to expenditures related to the 2021 Project; and (i) such other constitutional and statutory provisions and such other agreements, resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render the opinions set forth herein. We have also examined a fully executed and authenticated 2021 Bond of each series, and we assume all other 2021 Bonds are in such respective forms and are similarly executed and authenticated.

In rendering our opinion, we have assumed the accuracy of, and have not undertaken to verify by investigation the factual matters set forth in such agreements, resolutions, certificates, instruments, and other documents which are referred to above and have relied on the covenants, warranties and representations made by the Authority, the Trustee and the City in such certificates and in the Indenture, the Service Agreement and other financing documents, and no inference as to our knowledge of the existence or absence of those facts should be drawn from our representation of the Authority.

In addition, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity with originals of all documents submitted to us as copies and the authenticity of certificates of public officials. We have also assumed that the Indenture has been duly authorized by the Trustee and is a legally binding obligation of, and enforceable in accordance with its terms against, the Trustee.

From our examination of the foregoing and such other items as we deem relevant, we are of the opinion that:

1. The Authority is validly existing under the Act and has the power to issue the 2021 Bonds for the purpose of financing the 2021 Project.

2. The 2021 Bonds have been duly authorized, executed and delivered by the Authority, are entitled to the benefit and security of the Indenture, and are valid and binding special limited obligations of the Authority, payable as to principal, interest and all other obligations thereunder solely from, and enforceable only against, the revenues and receipts derived from the Trust Estate (as defined in the Indenture and which includes the Revenues described therein), except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, receivership, arrangement, moratorium and other laws affecting creditors' rights, by equitable principles, whether considered at law or in equity, and by the exercise of judicial discretion in appropriate cases.

3. The Authority has the power to enter into the Indenture and the Service Agreement, each of which has been duly authorized, executed and delivered by the Authority, and which are enforceable against the Authority in accordance with their respective terms, except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, receivership, arrangement, moratorium and other laws affecting creditors' rights, by equitable principles, whether at law or in equity, and by the exercise of judicial discretion in appropriate cases.

4. The City has the power to enter into the Service Agreement, which has been duly authorized, executed and delivered by the City, and which is enforceable against the City in accordance with its terms, except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, receivership, arrangement, moratorium and other laws affecting creditors' rights, by equitable principles, whether at law or in equity, and by the exercise of judicial discretion in appropriate cases.

5. Interest on the 2021B Bonds will be excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the each of the Authority and the City complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2021B Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. The Authority and the City have covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the 2021B Bonds to be includable in gross income retroactive to the date of issuance of the 2021B Bonds. Interest on the 2021B Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax.

6. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the interest on the 2021 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2021 Bonds.

We express no opinion herein on the adequacy, completeness or accuracy of any official statement, placement memorandum or other disclosure document pertaining to the offering of the 2021 Bonds. We also express no opinion as to the validity or enforceability of any provision which purports to require that provisions of an agreement may be amended or waived only in writing or as to the availability of specific performance or other equitable relief.

We call to your attention that the 2021 Bonds do not pledge the general credit or taxing power of the Commonwealth or any political subdivision, agency or instrumentality of the Commonwealth, nor shall the Commonwealth or any political subdivision, agency or instrumentality thereof be liable for the payment of the principal of or interest on the 2021 Bonds (other than the Authority, to the limited extent described herein).

This opinion is limited to the laws of the United States and the Commonwealth as in effect on the date hereof, and we express no opinion with respect to the laws of any other state or jurisdiction.

This opinion is limited to the matters expressly stated herein. No implied opinions are to be inferred to extend this opinion beyond the matters expressly stated herein. This opinion is expressed as of the date hereof, and we express no opinion as to any matter not set forth in the numbered paragraphs herein. We do not assume any obligation to update or supplement this opinion to reflect, or to otherwise advise you of, any facts or circumstances which may hereafter come to our attention or any changes in facts, circumstances or law which may hereafter occur. This opinion is rendered solely for your benefit and may be relied upon by you solely in connection with the issuance of the 2021 Bonds and may not be relied upon by you for any other purpose, or by any other person for any purpose, in each case without our written consent.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of October 26, 2021, is entered into by and between The City of Philadelphia, Pennsylvania ("City") and Digital Assurance Certification, L.L.C., as dissemination agent ("Dissemination Agent"), in connection with the issuance and sale by the Philadelphia Redevelopment Authority (the "Authority") of its $89,685,000 aggregate principal amount City Service Agreement Revenue Bonds, Series A of 2021 (Federally Taxable Social Bonds) (the "2021A Bonds") and $8,875,000 aggregate principal amount City Service Agreement Revenue Bonds, Series B of 2021 (Tax-Exempt Social Bonds) (the "2021B Bonds," and together with the 2021A Bonds, the "Bonds"). Capitalized terms used in this Agreement which are not otherwise defined herein shall have the meanings given to such terms in the Official Statement (as defined herein) or the Indenture (as defined in the Official Statement), as applicable.

The Bonds are being issued pursuant to the provisions of (i) the Act, (ii) the Ordinance, (iii) the Resolution, and (iv) the Indenture.

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement is being executed and delivered by the City solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) Commencing with the Fiscal Year ending June 30, 2021, the Disclosure Representative shall deliver to the Dissemination Agent no later than February 28, 2022, and no later than each succeeding February 28 thereafter, Annual Financial Information with respect to each Fiscal Year of the City. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with EMMA.

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) hereof.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Disclosure Representative shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file such Audited Financial Statements with EMMA.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Disclosure Representative shall provide through the Dissemination Agent, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to EMMA.

(b) Any notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the City including the Bonds, such Notice Event notice need only include the CUSIP number of the City.

(d) The Dissemination Agent shall promptly advise the City whenever, in the course of performing its duties as Dissemination Agent under this Agreement, the Dissemination Agent has actual notice of an occurrence which, if material, would require the City to provide notice of a Notice Event hereunder; provided, however, that the failure of the Dissemination Agent so to advise the City shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities under this Agreement.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the City chooses to do so, the City shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the City and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the City under such laws.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the City provides Annual Financial Information by specific reference to documents (a) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (b) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agent. The City has designated the Dissemination Agent as its agent to act on its behalf in providing or filing notices, documents and information as required of the City under this Agreement. The City may revoke or modify such designation. Upon any revocation of such designation, the City shall comply with its obligation to provide or file notices, documents and information as required under this Agreement or may designate another agent to act on its behalf.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access ("EMMA") system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided on EMMA shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The City's current Fiscal Year begins July 1 and ends June 30, and the City shall promptly file a notification on EMMA, through the Dissemination Agent, of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The City's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied:

(1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the same effect as set forth in clause (2) above, (4) either (i) the City shall have delivered to the Dissemination Agent an opinion of Counsel or a determination by an entity, in each case unaffiliated with the City (such as bond counsel or the Dissemination Agent), addressed to the City and the Dissemination Agent, to the effect that the amendment does not materially impair the interests of the holders of the Bonds, or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds pursuant to such indenture as in effect at the time of the amendment, and (5) the Disclosure Representative shall have delivered copies of such opinion(s) and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that performance by the City and the Dissemination Agent under this Agreement as so amended will not result in a violation of the Rule and (3) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to this Section 3.2 hereof to the accounting principles to be followed by the City in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the City to comply with the provisions of this Agreement shall be enforceable by any holder of outstanding Bonds. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section 3.3, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the City or the Dissemination Agent to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the City's Annual Comprehensive Financial Report ("ACFR"), which contains the Audited Financial Statements, (ii) to the extent such information is not contained in the ACFR, the financial information or operating data with respect to the City, substantially similar to the types of information set forth in Tables 1-52 in APPENDIX A attached to the Official Statement (with the exception of Tables 19, 36, 37, and 48), and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement. As set forth in clause (i) above, Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

Annual Financial Information shall be delivered at least annually pursuant to Section 1.2(a) hereof. In connection with Section 4.1(1), it is the City's intention to satisfy all or a portion of the obligations set forth therein by submitting to EMMA (A) its ACFR and (B) to the extent not otherwise updated in the ACFR, (1) an APPENDIX A that includes annual updates to the tables specified in clause (ii) above, or (2) if the City does not have such an APPENDIX A prepared, annual updates to the Tables specified in clause (ii) above. If at any time the City deletes, for purposes of a then-current APPENDIX A, certain financial information or operating data from APPENDIX A as attached to the Official Statement that is included in one of the tables specified above, such deleted information will be submitted separately from the updated APPENDIX A.

The descriptions contained in Section 4.1(1)(ii) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in each affected Annual Financial Information filing in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by Commonwealth law or the City Charter. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2 hereof, the City may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2 hereof shall include a reference to the specific federal or Commonwealth law or regulation describing such accounting principles, or other description thereof.

(3) "City Charter" means the Home Rule Charter authorized by the General Assembly in the First Class City Home Rule Act (Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City, as amended and supplemented.

(4) "Commonwealth" means the Commonwealth of Pennsylvania.

(5) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(6) "Disclosure Representative" means the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

(7) "Financial Obligation" means "financial obligation" as such term is defined in the Rule.

(8) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(9) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(10) "Notice Event" means any of the following events with respect to the Bonds, whether relating to the City or otherwise:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the City;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(11) "Official Statement" means the Official Statement dated October 13, 2021 of the City relating to the Bonds.

(12) "Registered Owner" or "Registered Owners" means the person or persons in whose name a Bond is registered on the books of the Authority maintained by the Trustee in accordance with the Indenture. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owner" or "Registered Owners" also means and includes, for the purposes of this Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Agreement.

(13) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(14) "SEC" means the United States Securities and Exchange Commission.

(15) "Securities Depository" means The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the Indenture.

(16) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

(17) "Underwriters" means the financial institutions named on the cover of the Official Statement.

ARTICLE V

Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties under the Agreement as are specifically set forth in this Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct in the performance of its duties hereunder. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Agreement to be executed by the Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this Agreement to be executed by one of its authorized officers, all as of the day and year first above written.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

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

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By:______________________________
Name:
Title:

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

General

The information set forth herein concerning The Depository Trust Company, New York, New York ("DTC") and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority, the City, the Trustee or the Underwriters. The websites referenced below are included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

DTC will act as securities depository for the 2021 Bonds under a book-entry system with no physical distribution of the 2021 Bonds made to the public. The 2021 Bonds will initially be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each series and maturity of the 2021 Bonds, each in the principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2021 Bonds, except in the event that use of the book-entry system for the 2021 Bonds is discontinued.

To facilitate subsequent transfers, all 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2021 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2021 Bonds, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of 2021 Bonds may wish to ascertain that the nominee holding the 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2021 Bonds within a maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity of the 2021 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and redemption price of, and interest on, the 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participants and not of DTC (or its nominee), the Authority, the City or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption price of, and interest on, the 2021 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

THE AUTHORITY, THE CITY, THE TRUSTEE, AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE 2021 BONDS (A) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2021 BONDS, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2021 BONDS, OR (C) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE CITY, THE TRUSTEE, OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2021 BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED TO BE GIVEN TO HOLDERS OR OWNERS OF THE 2021 BONDS; (E) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF 2021 BONDS; OR (F) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2021 BONDS.

Discontinuation of Book-Entry Only System

DTC may discontinue providing its services as depository with respect to the 2021 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2021 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2021 Bond certificates will be printed and delivered.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

FORM OF SOCIAL BONDS REPORTING

Sample Reporting Template: Neighborhood Preservation Initiative (NPI)
Report Date: ___________

Project Name	Description	Target Populations[a]	Series 2021 Proceeds Allocated	Series 2021 Proceeds Spent to Date	Indicator 1	Indicator 2	Indicator 3
Rental Assistance	Help owners keep housing affordable	1,3,6,8	$3,800,000		Number of households served	Total number of households at or below 60% AMI (Area Median Income) assisted	
Basic System Repair	Home repair grants	1,2,3,5,8	$9,500,000		Number of minority households served at or below household income of 50% AMI	Number of females headed households served at or below household income of 50% AMI	Number of senior citizens served at or below household income of 50% AMI
Adaptive Modification	Grants for home adaptation projects	1,3,6,8	$1,900,000		Number of minority households served at or below household income of 50% AMI	Number of females headed households served at or below household income of 50% AMI	Number of senior citizens served at or below household income of 50% AMI
PhillyFirstHome	Down payment and closing cost assistance	1,3,6,8	$14,500,000		Number of 1st time buyers assisted	Number of households at or below 80% AMI	Number of minority households
Tangled Title	Assist low-income homeowners in obtaining a clear title to their home	1,3,6,8	$1,900,000		Number of titles cleared	Number of households at or below 200%[b] Federal Poverty Level	Number of minority households

---

[a] Eligible target populations may include:

1. Households/census tracts below poverty level
2. Excluded and/or marginalized populations/communities
3. People with disabilities
4. Migrants and/or displaced persons
5. Underserved residents in documented food deserts
6. Unemployed residents
7. Women and/or sexual and/or gender minorities
8. Residents that are at least 62 years of age and vulnerable youth (the former is based on HUD Section 202 Supportive Housing for the Elderly Program eligibility)
9. Other vulnerable groups in neighborhoods, including those at risk as a result of natural disasters such as flooding and/or aging infrastructure

[b] AMI set by federal guidelines

Eviction Diversion	Funding for housing counseling, legal and mediation services	1,3,6,8	$2,850,000		Number of agreements reached through landlord/tenant mediation	Number of tenants receiving full legal representation	Number of tenants receiving legal representation at/or below 200% Federal Poverty Level
Small Landlord Loans	Loans to small landlords for maintenance	1,3,6,8	$1,900,000		Number of loans issued	Total number of households at or below 60% AMI impacted	
Affordable Housing Production	Additional funding source for the development of affordable housing	1,2,3,4,5,7,8	$28,250,000		Number of units produced	Number of accessible units produced	Number of units produced for households at or below 30% AMI
Affordable Housing Preservation	Funding to preserve existing affordable housing	1,2,3,4,5,7,8	$16,150,000		Number of units preserved	Number of accessible units preserved	Number of units preserved for households at or below 30% AMI
Permanent Homeless Housing	Supportive housing for formerly homeless residents	1,2,3,5,6,7,8	$3,800,000		Number of permanent housing units added to portfolio	Number of Office of Homeless Services (OHS) clients placed in permanent housing	
Neighborhood Infrastructure Improvement	Grants or loans to property owners for improvement or enhancement of privately owned neighborhood infrastructure which may include retaining walls and other assets in disrepair (e.g., driveways, alleys, sidewalks, trees, and sewers)	2,5,9	$6,650,000		Number of parcels receiving safety enhancements		
Neighborhood Small Business Programs[c]	Investments in neighborhood businesses and commercial corridors, via forgivable loans or grants directly to businesses and local community development corporations	1,2,5,9	$3,800,000		Number of small businesses served		
Total			$100,000,000[d]				

[c] Comprised of the Direct Support to Small Businesses and Investment in Neighborhood Commercial Corridors programs

[d] $5,000,000 used for administrative costs

SEAL OF THE CITY OF PHILADELPHIA

PHILADELPHIA MANETO