

PHILADELPHIA WATER DEPARTMENT
STATEMENT NO. 1

BEFORE THE
PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD

In the Matter of the Philadelphia Water Department's Proposed Change in Water, Wastewater and Stormwater Rates and Related Charges	Special Rate Filing: Reconciliation Proceeding for Fiscal Year 2023
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Direct Testimony

of

Melissa La Buda

on behalf of

The Philadelphia Water Department

Dated: January 2022

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q1. PLEASE STATE YOUR NAME AND POSITION WITH THE PHILADELPHIA WATER DEPARTMENT.

A1. My name is Melissa La Buda. I serve as the Deputy Commissioner of Finance for the Philadelphia Water Department (“Department” or “PWD”).

Q2. WHAT ARE YOUR JOB RESPONSIBILITIES?

A2. As Deputy Commissioner of Finance, I have overall responsibility for the Department’s financial, accounting and budgetary functions, including overseeing the budget, accounting for financial activities, issuing financial reports, and developing the debt issuance requirements. In connection with debt financings, I participate in meetings with rating agencies with respect to the credit ratings on Water and Wastewater System debt. I also lead the Department’s efforts related to the PWD Financial Plan and Cost of Service study for general rate proceedings.

Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND RELEVANT WORK EXPERIENCE.

A3. I received a Bachelor of Science Degree in Business Administration from Bloomsburg University of Pennsylvania in 1995. I joined the Department as an Assistant Deputy Commissioner in October 2013. I was elevated to my current position in August 2014. Before joining the Department, I worked for a global financial institution where I served as an investment banker to public power and combined utility systems. Prior to that position, I worked for Public Financial Management, Inc. A more detailed description of

1 my relevant work experience is set forth in my resume, which is attached and marked as
2 Schedule ML-1.

3
4 **Q4. PLEASE DESCRIBE THE PURPOSE OF YOUR DIRECT TESTIMONY.**

5 A4. The Philadelphia Water, Sewer and Storm Water Rate Board (“Rate Board”), in the 2021
6 Rate Determination¹ (“2021 Rate Determination”), approved a rate increase effective on
7 September 1, 2022 (for FY 2023). That increase includes incremental additional revenues
8 of \$34.110 million for FY 2023 (“FY 2023 Base Rate Incremental Increase” or “FY 2023
9 approved rate increase”).

10
11 The 2021 Settlement² in the 2021 General Rate Proceeding (“2021 Settlement”) and the
12 2021 Rate Determination, provide that the Department will initiate a special rate
13 proceeding to propose a reconciliation of (or adjustment to) approved rates and charges to
14 become effective in Fiscal Year 2023 (“FY 2023”) under certain limited circumstances,
15 based on two potential adjustments. The first potential adjustment is related to PWD’s
16 direct receipt of certain Federal Stimulus Funding during the period July 1, 2021 through
17 December 31, 2021 (the “Federal Stimulus Adjustment”). The second potential
18 adjustment is related to the Department’s FY 2021 financial performance, i.e.,
19 outperformance of projections in the 2021 General Rate Proceeding measured against a
20 “minimum threshold” that was not defined in Settlement negotiations (the “FY 2021
21 Financial Performance Adjustment”).³

22
23
24 ¹ <https://www.phila.gov/media/20210618105014/2021-General-Rate-Determination-as-filed-with-Records-Dept-20210616.pdf>

25 ² <https://www.phila.gov/media/20210505154832/Joint-Petition-for-Partial-Settlement.pdf>

³ To the extent necessary and appropriate, the 2021 Settlement, the 2021 Rate Determination, as well as the record of the 2021 General Rate Proceeding are incorporated into the Department’s filing regarding the proposed reconciliation.

1 The purpose of this testimony is to describe the Department's position concerning the
2 reconciliation (adjustment) of rates and charges for FY 2023. As explained below, PWD
3 maintains that no reduction in FY 2023 rates and charges is warranted related to either
4 the Federal Stimulus Adjustment or the FY 2021 Financial Performance Adjustment.

5
6 My testimony will, among other things, discuss the Department's position with regard to
7 reconciliation of FY 2023 rates and charges and describe the applicable ratemaking and
8 financial requirements that should guide the Rate Board in this context. As a part of this
9 discussion, I will also provide an overview of the financial condition of the Department
10 and allude to current and future financial challenges.

11
12 **Q5. PLEASE INTRODUCE THE OTHER WITNESSES PROVIDING DIRECT**
13 **TESTIMONY ON BEHALF OF THE DEPARTMENT.**

14 **A5.** In addition to my testimony, the following witnesses are providing direct testimony in
15 support of the Department's proposed reconciliation:

16
17 Financial Advisors

18 In PWD Statement 2, the Department presents its financial advisors, Katherine Clupper,
19 the Managing Director of Public Financial Management, and Peter Nissen, the Managing
20 Director of Acacia Financial Group, Inc., who provide additional support for the
21 Department's Financial Plan, related policies and financial metrics.

22
23 The Financial Advisors prepared PWD Statement 2 and a related memorandum
24 (Schedule FA-1), which supports maintaining the Department's current financial metrics
25 and specifically opposes setting the minimum threshold for reconciliation at a level below

\$135 million.

Black & Veatch Panel

The Department is also presenting a panel from Black & Veatch Management Consulting, LLC (“Black & Veatch” or “B&V”) in PWD Statement 3. The members of the Black & Veatch team providing testimony are Ann Bui, Dave Jagt and Brian Merritt.

The Black & Veatch panel prepared and sponsors the Department’s proposed reconciliation, as part of PWD Statement 3.

Q6. PLEASE IDENTIFY THE SCHEDULES THAT ACCOMPANY YOUR DIRECT TESTIMONY.

A6. The following schedules accompany my testimony.

Schedule ML-1: Resume of Melissa LaBuda

Schedule ML-2: Financial Plan

Schedule ML-3: Rating Agency Reports

Schedule ML-4: Financial Statement for FY 2021

II. RECONCILIATION REQUEST BY THE DEPARTMENT

Q7. DOES THE DEPARTMENT HAVE ANYTHING TO RECONCILE?

A7. No.

Q8. WHY NOT?

A8. The conditions in the 2021 Settlement were not satisfied and, therefore, there should be no downward adjustment to the Department's rates for FY 2023.

Q9. PLEASE SUMMARIZE THE RELIEF THAT THE DEPARTMENT IS REQUESTING IN THIS PROCEEDING.

A9. The Department requests that the Rate Board make no adjustment to the FY 2023 Base Rate Incremental Increase, based on the Department's analysis of the two potential adjustments, as described below:

- For the first potential adjustment, the Department's proposal is a reduction of zero dollars based on the Federal Stimulus Funding. The Department's analysis of the first potential adjustment is described in PWD Statement 3 and in Section III of this direct testimony; and
- For the second potential adjustment, the Department's proposal is a reduction of zero dollars based on the Department's FY 2021 Financial Performance. The Department's analysis supporting the second potential adjustment is described in PWD Statement 3 and in Section IV of this direct testimony.

The Department's proposed reconciliation (of zero dollars) means that the increase effective on September 1, 2022 (for FY 2023) will be the same as the \$34.110 million approved by the Board in its 2021 Rate Determination, assuming that the Department's proposal is adopted by the Rate Board.

The Department proposes that effective date for that increase (and any adjustment or

1 reconciliation thereto) remain September 1, 2022 (for FY 2023), as originally approved
2 by the Rate Board.

3
4 **Q10. HAS THE DEPARTMENT EVALUATED THE IMPACT OF ITS PROPOSED**
5 **RECONCILIATION ON PWD FINANCIAL METRICS FOR FY 2023?**

6 A10. Yes.

7
8 The Department's proposed reconciliation (of zero dollars) means that this reconciliation
9 proceeding will not change PWD targeted financial metrics. In the Department's opinion,
10 the FY 2023 Base Rate Incremental Increase is needed to avoid the continued erosion of
11 the Department's current financial position, to pay for the day-to-day operating needs of
12 the Department and to fund its ongoing capital improvement program.

13
14 The Department is concerned that any significant reduction of the FY 2023 Base Rate
15 Incremental Increase will be met with a negative reaction by the credit rating agencies.
16 Such a reaction could take the form of a credit rating downgrade or market access
17 deterioration. Municipal credit ratings are generally slow to rise and, often go down
18 quickly. Thus, it is critical to assure rating agencies and investors of the long-term
19 commitment to the cost recovery and stability of the Department's finances.

20
21 **Q11. HAS THE DEPARTMENT EVALUATED THE IMPACT OF ITS PROPOSED**
22 **RECONCILIATION ON TYPICAL CUSTOMER BILLS?**

1 A11. Yes. As stated above, the Department's proposed reconciliation (of zero dollars) means
2 that this reconciliation proceeding will not change rate impacts on average customer bills
3 from rates and charges approved by the Rate Board in the 2021 Rate Determination.⁴
4

5 That being said, I would note that PWD Exhibit 2 reflects the impact of both the
6 Department's requested reconciliation and the Department's proposed changes related to
7 the annual rate adjustment for the Department's Tiered Assistance Program ("TAP" or
8 "TAP-R"). That Exhibit (PWD Exhibit 2) as well as comparable tables in Black &
9 Veatch's testimony (PWD Statement 3) present the Department's evaluation of the
10 impact of Department's requested reconciliation and the Department's proposed TAP-R
11 changes on the average monthly bill of residential, senior citizen, and small commercial
12 customers.
13

14 Please also note that the impacts shown on PWD Exhibit 2 may be impacted (and
15 changed) due to outcomes in the annual TAP-R proceeding. So, the rates and charges
16 shown on PWD Exhibit 2) following the conclusion of both this proceeding and the
17 annual TAP-R proceeding will reflect final rates to become effective September 1, 2022
18 (for FY 2023).
19

20 **Q12. WHAT REVISIONS TO THE DEPARTMENT'S RATES AND CHARGES ARE**
21 **BEING PROPOSED IN THIS CASE?**

22 A12. The Department proposes no change in FY 2023 authorized revenues in connection with
23 this proceeding. This proposal, if adopted, would not require any changes to the
24
25

⁴ See, 2021 Rate Determination at p. 38 (Table 2).

1 Department's tariff rates and charges for FY 2022 approved in the 2021 General Rate
2 Proceeding.

3
4 That being said, PWD Exhibits 1A and 1B show the proposed changes related to both the
5 Department's requested reconciliation and the Department's annual TAP-R proceeding.

6
7 As alluded to previously, the starting point for any proposed reconciliation is the FY
8 2023 approved rate increase, which includes the FY 2023 Base Rate Incremental Increase
9 (\$34.110 million). That increase in authorized revenues was reflected in the Department's
10 Compliance Filing of July 1, 2021⁵ ("2021 Compliance Filing").⁶ Any proposed
11 reconciliation would be shown as an adjustment to the rates and charges in the 2021
12 Compliance Filing and would be reflected in PWD Exhibits 1A and 1B. The rates and
13 charges resulting from the proposed reconciliation are further discussed in Black &
14 Veatch's testimony, PWD Statement 3.

15 16 III. FEDERAL STIMULUS FUNDING

17 18 **Q13. PLEASE DESCRIBE THE POTENTIAL ADJUSTMENT RELATED TO** 19 **FEDERAL STIMULUS FUNDING.**

20 A13. The FY 2023 approved rate increase is subject to reduction to reflect the impact of
21 "Stimulus Funding" (defined in the Settlement) received by PWD during the "Receipt
22
23

24 ⁵ <https://www.phila.gov/media/20210706143533/PWD-Rates-and-Charges-beginning-Sept-1-2021-Timestamped-by-Records.pdf>

25 ⁶ Consistent with the terms and conditions of the 2021 Settlement, in no event can any adjustment in this proceeding reduce the FY 2023 Base Incremental Increase below zero dollars.

Period” (from July 1, 2021 to December 31, 2021), as noted in the 2021 Settlement and the 2021 Rate Determination.⁷

The Rate Board will recall that no adjustment for Federal Stimulus Funding is required, if the Stimulus Funding received PWD during the Receipt Period is less than \$2 million (threshold bucket).

Only if the Department received \$2 million or more during the Receipt Period, would an across-the-board reduction on a dollar-for-dollar basis to the FY 2023 Base Rate Incremental Increase be required related to Stimulus Funding.

Also, the amount of any adjustment for Stimulus Funding would be subject to the “Maximum Adjustment” which requires that any reconciliation under this adjustment, separately or in combination with any other adjustments, cannot lower the FY 2023 Base Rate Incremental Increase below zero dollars.

Q14. PLEASE DESCRIBE THE STIMLUS FUNDING TO BE EVALUATED FOR RECONCILIATION PURPOSES.

A14. For purposes of reconciliation, the term “Stimulus Funding” means the amounts — within the scope of the definition⁸ — that can be used to reduce operating expenses, that would otherwise be paid by ratepayers, and were received by PWD during the “Receipt Period” (from July 1, 2021 to December 31, 2021):

⁷ See, 2021 Stipulation at § II.11.A, II.11.A.(i).

⁸ This term is subject to certain exclusions described in footnote 9 of the 2021 Settlement. See 2021 Settlement at p. 5.

- for reimbursement of PWD operating expenses submitted under the Consolidated Appropriations Act of 2021, enacted on December 27, 2020 (“CARES Act”).⁹

The 2021 Settlement provides that this category is limited to reimbursements from the U.S. Department of Health and Human Services (HHS) or Philadelphia Housing Development Corporation (PHDC) under the CARES Act.¹⁰

The 2021 Settlement also provides that this category excludes “(i) any amounts received directly by PWD from ... HHS, PHDC or other state or local agencies administering federal funds for infrastructure or capital projects; (ii) any amounts allocated and/or received directly by PWD customers under the federal legislation, or other state or federal action, to alleviate potential or actual financial hardship of PWD’s customers; (iii) any amounts allocated and/or received directly by PWD from Utility Emergency Services Fund (“UESF”) in connection with UESF’s locally funded programs including the Utility Grant Program, Water Conservation Housing Stabilization Program, and the Customer Assistance Program for Water; ...”.¹¹

- from, or allocated by, City Council to PWD in the FY 2022 budget under the American Rescue Plan Act, enacted on March 11, 2021 (“ARPA”)¹²

⁹ 116 P.L. 260; 134 Stat. 1182. Section 501 of the Consolidated Appropriations Act allocates \$638 million to the U.S. Department of Health and Human Services (HHS) to carry out a Low-Income Household Drinking Water and Wastewater Emergency Assistance Program. *See, e.g.*, 15 USC § 9058a.

¹⁰ 2021 Settlement at p. 5-6.

¹¹ 2021 Settlement at p. 5.

¹² Public Law No: 117-2. Section 9901 of the American Rescue Plan Act, *inter alia*, provides funds to certain governmental entities that may be used, among other things, to make necessary investments in water, sewer, or

The bulk of ARPA funds are limited to infrastructure.¹³

The 2021 Settlement provides that this category excludes “(i) any amounts received directly by PWD from the City ... or other state or local agencies administering federal funds for infrastructure or capital projects; ... and (iv) any amounts adopted by City Council through the budget process and/or received directly by PWD, beyond the Receipt Period.”¹⁴

Q15. PLEASE DESCRIBE THE FEDERAL STIMULUS FUNDING RECEIVED BY THE DEPARTMENT DURING THE RECEIPT PERIOD.

A15. The Department received no stimulus funding, within the scope of the definition, during the Receipt Period (July 1, 2021 to December 31, 2021).

Q16. WHAT ABOUT THE REIMBURSEMENT OF PWD’S OPERATING EXPENSES UNDER THE CARES ACT THAT WAS DISCUSSED IN THE 2021 GENERAL RATE PROCEEDING?

A16. As stated in discovery responses in the 2021 General Rate Proceeding,¹⁵ the Department sought reimbursement of certain eligible expenses under the CARES Act. As of February 2021, the Department’s overall request for reimbursement was about \$2.1 million.

broadband infrastructure. 42 USCS § 803(c)(1)(D). Section 2912 of American Rescue Plan Act allocates \$500 million to the HHS to assist low-income households that pay a high proportion of household income for drinking water and wastewater services. *See* 15 USCS § 9058b. The funds under Section 2912 of American Rescue Plan Act are in addition to the funds under Section 501 of the Consolidated Appropriations Act.

¹³ *See*, Section 9901 of the ARPA. 42 USCS § 803(c)(1)(D).

¹⁴ 2021 Settlement at p. 5.

¹⁵ 2021 Department Response to PA-V-5, which is available at: <https://www.phila.gov/media/20210311145532/Public-Advocate-Discovery-Set-V-Responses-20210223.pdf>.

See also 2021 Department Response to PA-X-2, which is available at: <https://www.phila.gov/media/20210318160053/Public-Advocate-Discovery-Set-X-2021.03.11-REVISED-DRAFT.pdf>.

1
2 In June 2021, before the start of the Receipt Period, the Department received \$2,078,942
3 as reimbursement under the CARES Act for FY 2020 expenses. The benefits of that
4 reimbursement are reflected in the Department's financial results for FY 2021, since the
5 reimbursement was received on or before the end of FY 2021 (June 30, 2021). This
6 means that the reimbursement is outside of the Receipt Period. It also means that this
7 reimbursement should **not** be evaluated or considered as part of the reconciliation
8 process, since including it would, in effect, "double count" the impact of those amounts
9 which are already reflected in FY 2021 financial results.

10
11 The Department's eligible expenses for FY 2020 were submitted to the City for further
12 submittal for reimbursement.¹⁶ During the 2021 General Rate Proceeding, it was not
13 known when such reimbursements would be received or the amount of reimbursement
14 that would be approved.

15
16 **Q17. HAS THE CITY ALLOCATED AMOUNTS UNDER ARPA TO PWD IN THE**
17 **RECEIPT PERIOD?**

18 A17. No. The City did not allocate amounts under ARPA to PWD during the Receipt Period.

19 As part of adopting the budget for FY 2022, the City indicated that it would be using
20 funds under ARPA to fill shortfalls for City operations in FY 2021 through FY 2025.¹⁷

21 The adopted budget for FY 2022 did not allocate amounts under ARPA to PWD for FY
22
23

24 ¹⁶ 2021 Department Response to PA-X-2, which is available at:
25 <https://www.phila.gov/media/20210318160053/Public-Advocate-Discovery-Set-X-2021.03.11-REVISED-DRAFT.pdf>.

¹⁷ See, 2021 PWD Main Brief at p. 42-43.

2022.¹⁸ Consistent with the above decision and the adopted budget, no ARPA amounts were allocated to PWD during the Receipt Period.

Q18. PLEASE DESCRIBE THE DEPARTMENT’S EFFORTS TO SECURE STIMULUS FUNDING.

A18. The Department used its best efforts to secure Stimulus Funding. The Department acted reasonably and in good faith to secure Stimulus Funding. The Department has been reporting on these efforts in its monthly reports to the Rate Board,¹⁹ which are incorporated herein by reference.

Q19. PLEASE DESCRIBE THE DEPARTMENT’S PROPOSED RECONCILIATION BASED ON FEDERAL STIMULUS FUNDING.

A19. There should be no reduction of rates and charges for FY 2023 based on “Stimulus Funding,” since the Department received no “Stimulus Funding,” within the scope of the definition, during the Receipt Period (July 1, 2021 to December 31, 2021). Without any actual “Stimulus Funding” — within the scope of the definition and received in the Receipt Period — the Department did **not** exceed the \$2 million threshold bucket for Federal Stimulus Funding.

Because the \$2 million threshold was not satisfied, the Department proposes an adjustment of zero dollars based on the Federal Stimulus Funding, as I noted in Q9/A9 and Q23/A23. This proposal and the analysis of the Federal Stimulus Funding adjustment are further discussed in Black & Veatch’s testimony, PWD Statement 3.

¹⁸ See Bill 210322 (June 24, 2021). See also <https://controller.phila.gov/wp-content/uploads/2021/07/FY22-Budget-in-Brief-Adopted.pdf>.

¹⁹ See reports under “Reports from the Water Department” at <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2021-rate-proceeding/>.

IV. FY 2021 FINANCIAL PERFORMANCE

Q20. PLEASE DESCRIBE THE POTENTIAL ADJUSTMENT RELATED TO THE DEPARTMENT'S FY 2021 FINANCIAL PERFORMANCE.

A20. An adjustment for the Department's FY 2021 Financial Performance is required, if the amount in the Rate Stabilization Fund at the end of FY 2021 is above the "minimum threshold." Such minimum threshold must be established in this proceeding, as it was not defined in the 2021 Settlement or the 2021 Rate Determination.

Pursuant to the 2021 Settlement, an adjustment would only be appropriate if the Rate Stabilization Fund is above the "minimum threshold," so that, as a practical matter, there is an excess amount to share with customers (i.e., the benefit of FY 2021 amounts above the "minimum threshold" in the Rate Stabilization Fund).

Also, would be subject to the "Maximum Adjustment" which requires that any reconciliation, under this adjustment separately or in combination with any other adjustment, cannot lower the FY 2023 Base Rate Incremental Increase below zero dollars.

Q21. PLEASE DESCRIBE THE "MINIMUM THRESHOLD" IN THE RATE STABILIZATION FUND TO BE EVALUATED FOR RECONCILIATION PURPOSES.

A21. As alluded to above, the "minimum threshold" is not defined in either the 2021 Settlement or the 2021 Rate Determination.

1
2 The Department proposes a minimum threshold for the Rate Stabilization Fund (RSF) of
3 \$135 million for reconciliation purposes. That amount is the same amount as the target
4 level for the Rate Stabilization Fund in the Rate Board's 2018 Determination.²⁰ That
5 amount is also consistent with the Department's goal to maintain liquidity by managing a
6 \$135 million balance in the Rate Stabilization Fund (over time) and \$15 million in the
7 Residual Fund. PWD Schedule ML-2 at Table C-1 at Lines 37 and 40; PWD Statement 2
8 at Schedule FA-1 (Financial Advisors Memorandum).

9
10 Consistent with PWD Statement 2, the Department maintains that using a minimum
11 threshold amount lower than previously set target level of \$135 million, much less below
12 the current balance of \$124.66 million in the Rate Stabilization Fund would not be
13 reasonable given PWD's financial position and the need to preserve the Department's
14 already tenuous and below peer ratings from Fitch Ratings ("Fitch"), Moody's Investors
15 Service ("Moody's"), and S&P Global Ratings ("S&P" and together with Fitch and
16 Moody's, the "Rating Agencies").

17
18 The Rating Agencies expect the Department to maintain, or exceed, the target/goal of
19 \$135 million in the Rate Stabilization Fund. *See* Schedule ML-3 (Rating Agency
20 Reports); PWD Statement 2 at p. 5-7 and Schedule FA-1 (Financial Advisors
21 Memorandum). Each of the Rating Agencies' reports speak to the critical nature of
22 liquidity and the balance of the Rate Stabilization Fund in the resulting rating. In fact,
23 S&P indicated in June 2021, that mere higher-than-planned use of liquidity could cause
24

25 ²⁰ *See* 2018 Determination at 37-38. <https://www.phila.gov/media/20180713144736/2018-RATE-DETERMINATION-TIMESTAMPED.pdf>

1 S&P to lower the rating for the Department.²¹

2
3 **Q22. PLEASE DESCRIBE THE AMOUNT IN RATE STABILIZATION FUND AT**
4 **THE END OF FY 2021.**

5 A22. The ending balance of the Rate Stabilization Fund for FY 2021 is approximately \$125
6 million, as shown in PWD Schedule ML-4 (Financial Statement for FY 2021).

7
8 **Q23. PLEASE DESCRIBE THE DEPARTMENT’S PROPOSED RECONCILIATION**
9 **BASED ON THE DEPARTMENT’S FY 2021 FINANCIAL PERFORMANCE.**

10 A23. The ending balance of the Rate Stabilization Fund for FY 2021 is approximately \$125
11 million. This amount is already below the Department’s “minimum threshold” for the
12 Rate Stabilization Fund of \$135 million. This means, as stated previously, that no
13 adjustment for the Department’s FY 2021 Financial Performance is warranted or required
14 in this proceeding.

15
16 The Department proposes an adjustment of \$0 (zero) based on the Department’s FY 2021
17 Financial Performance, as I noted in Q9/A9. This proposal and the analysis of the
18 Department’s FY 2021 Financial Performance are further discussed in Black & Veatch’s
19 testimony, PWD Statement 3.

20
21 **Q24. PLEASE EXPLAIN THE RATIONALE FOR THE DEPARTMENT’S POSITION**
22 **ON RECONCILIATION.**

23 A24. The Department’s position is supported by the following points:
24
25

²¹ Schedule ML-3 (Rating Agency Reports), S&P Report (September 17, 2021) at 3.

1 First, the Department agreed to “sharing” of potential excess reserves, if it outperformed
2 projections made in the 2021 General Rate Proceeding, as reflected by the ending balance
3 of the Rate Stabilization Fund for FY 2021. PWD maintains that such outperformance is
4 reasonably measured against the Department’s “minimum threshold” for the Rate
5 Stabilization Fund which is \$135 million. There was no agreement for “sharing” if there
6 were no outperformance or excess reserves to share. The Department maintains that
7 because the Rate Stabilization Fund balance is lower than the targeted \$135 million —
8 there is nothing to share.

9
10 Second, the Department is already facing cost pressures and other challenges in FY 2023
11 arising from escalating regulatory requirements and dramatically increasing costs. By
12 mandating the reduction of the Rate Stabilization Fund to, or near, the above-described
13 downgrade trigger of \$120 million, would further constrain the Department’s financial
14 flexibility (as compared to utilizing the targeted balance of \$135 million in the Rate
15 Stabilization Fund).

16
17 Third, the Department believes that ratepayers are poorly served by rates that “yo-yo,”
18 i.e., go up and down or down and up in short periods of time, as I have already noted. The
19 Department’s position is that rate reductions for FY 2023 will be reversed by a rate
20 increase later (for FY 2024 and beyond). Using an amount lower than \$135 million as the
21 “minimum threshold” for reconciliation purposes would also, predictively, lead to a spike
22 in rates, since a rate increase would be required beginning in future years (FY 2024 and
23 beyond) to raise additional revenues to bring the amount in the Rate Stabilization Fund
24 back to the target/goal of \$135 million. For example, using the lower amount of \$109
25 million in the Rate Stabilization Fund as the “minimum threshold” for reconciliation

1 purposes means that ratepayers would then need to pay \$26 million in additional billings
2 due to increased rates in FY 2024 and beyond to raise the Rate Stabilization Fund back to
3 \$135 million. Simply put, the Department is concerned that a downward adjustment for
4 rates and charges in FY 2023 will not only produce a "yo-yo" effect that would confuse
5 and irritate customers and the rating agencies, but also negatively impact the
6 Department's Financial Plan metrics for the near and long term horizon.

7
8 **V. FACTORS IMPACTING PWD'S FINANCIAL CONDITION IN FY 2023**

9
10 **Q25. PLEASE DESCRIBE THE CHANGED CIRCUMSTANCES, SINCE THE 2021**
11 **GENERAL RATE PROCEEDING, THAT WILL PRESENT SIGNIFICANT**
12 **CHALLENGES FOR THE DEPARTMENT IN FY 2023.**

13 A25. The Department is concerned about the following significant challenges and cost
14 pressures facing the Water and Wastewater Systems in FY 2023 that were not part of the
15 2021 General Rate Proceeding:

16
17 First, labor costs will be higher in FY 2023 than projected in the 2021 General Rate Proceeding
18 because of recently negotiated collective bargaining agreements. The cost of service analysis
19 developed for the last rate case assumed an annual salary increase of 2.0% for FY 2023 and FY
20 2024. In September 2021, a new labor agreement was negotiated for Department personnel
21 represented by District Council 33 ("DC33") which will increase salaries by 2.5% FY 2022,
22 3.25% in in FY 2023 and FY 2024.

23
24 Second, as part of the DC33 labor agreement, the City's monthly payment to the union's
25 health-care fund will increase from \$1,194 per employee to \$1,500. That is an increase of

\$306 per month per employee.

Third, the City's Finance Department recalculated the annual amount the Department needs to contribute to the City's pension plan. It increased that budget amount by about \$1.9 million in FY 2022 and \$1.81 million for FY 2023.

Fourth, the Department is currently faced with escalating chemical prices (20%) as a result of market effects of the pandemic. The aforesaid price increase will budget impact the Department in FY 2022 and 2023 (and likely beyond) as new contracts will take effect on or about January 1, 2022. Increased costs associated with chemicals are projected for the budget at approximately \$6.0 million in FY 2023. This price increase, in combination with other inflationary pressures driving up the costs of materials and supplies, is a cause of significant concern. The trend of rising costs is summarized in Schedule BV-5, and goes beyond the chemicals.

The table below sets forth the above-described "changed circumstances" together with their associated increased budgeted impact of such changed circumstances in FY 2023.

Changed Circumstances Identified in Testimony	Budget Impact in FY 2022	Budget Impact in FY 2023
Increases in salaries and overtime due to labor negotiations	\$8.50 million	\$9.60 million
Increases in payments to health care fund due to labor negotiations	\$5.80 million	\$5.80 million
Increased contribution to pension fund	\$1.90 million	\$1.81 million

Increased cost in chemicals	\$3.00 million	\$6.00 million
	\$19.20 million	\$23.21 million

I would note that the table and the above-described pressures and challenges facing the Department is not a comprehensive list of all of the impacts on the Department in FY 2023. The items discussed and shown in the table are intended to show why the Department believes that actual expense results in FY 2023 will be higher than the expense projections for FY 2023 included in the 2021 General Rate Proceeding and demonstrate that there should be no expectation of excess reserves in FY 2023.

Q26. PLEASE EXPLAIN THE DEPARTMENT'S POSITION THAT RATE REDUCTIONS IN THIS PROCEEDING FOR FY 2023 WILL BE REVERSED BY A RATE INCREASE LATER (FOR FY 2024 AND BEYOND).

A26. The Department believes that rate reductions in this proceeding will be reversed by an upcoming rate increase due to the cost pressures and other challenges facing the Department in FY 2022 and FY 2023.

The Department strives to serve its customers with quality against the backdrop of aging infrastructure, a pandemic, severe storms, and other hazards.

That being said, it should be clear that — if the balance of the Rate Stabilization Fund remains below the \$135 million target — additional revenues will be needed in FY 2024 and beyond to move that balance towards that target.

In addition, actual expenses results are anticipated to be higher than projections included

1 in the 2021 General Rate Proceeding for both FY 2022 and FY 2023. As I noted, the
2 Department faces numerous challenges that have arisen since the last General Rate
3 Proceeding (including operational and capital requirements) that have already placed
4 demands on the Rate Stabilization Fund.

5
6 To cover some or all of those higher expenses, the Department will need to rely on cash
7 reserves, including the Rate Stabilization Fund. It follows that higher expenses in FY
8 2022 and FY 2023 would lower the balance for the start of FY 2024. Lowering the Rate
9 Stabilization Fund has the potential to move the Department closer to levels that would
10 trigger a downgrade by one or more rating agencies.

11
12 There is no reasonable ground for further reduction of the RSF given the current
13 circumstances presented. Given that expenses are trending higher than projections, it is
14 likely that rate reductions for FY 2023 will be reversed by a rate increase later (for FY
15 2024 and beyond).

16
17 **Q27. WHY IS PWD'S FINANCIAL CONDITION RELEVANT TO THIS**
18 **RECONCILIATION PROCEEDING?**

19 **A27.** The Department's financial position is relevant to this reconciliation proceeding because
20 the Department's rates must be reasonable and consistent with the Philadelphia Home
21 Rule Charter,²² "Rate Ordinance,"²³ "1989 General Ordinance"²⁴ and general ratemaking
22 principles. The legal standards regarding rates and charges were summarized in my
23

24 ²² See, e.g., Section 5-801 of the *Charter*.

25 ²³ Chapter 13-100 of the *Philadelphia Code*.

²⁴ Restated General *Water* and Wastewater Revenue Bond Ordinance of 1989, approved June 24, 1993, as amended by an Ordinance approved January 23, 2007.

1 testimony (PWD 2021 Statement 2²⁵) in the 2021 General Rate Proceeding and in
2 Section III of the Department's Main Brief²⁶ in the 2021 General Rate Proceeding.

3
4 In addition, the Department's updated Financial Plan ²⁷ is summarized in Table C-1 and
5 is attached as part of Schedule ML-2. The financial planning projection presented in
6 Table C-1 reflects the forecasted financial results based on no adjustments to the FY 2023
7 incremental revenue and the projected revenue adjustments estimated to restore the
8 Department's financial position to the financial metric targets by the end of the study
9 period in order to provide the system with financial resiliency and maintain the
10 Department's current credit rating. It also recommends that the Department continue to
11 use \$135 million as the goal for the Rate Stabilization Fund and not rely upon the Rate
12 Stabilization Fund to provide lower rates in FY 2023.

13
14 **V. CONCLUSION**

15
16 **Q28. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

17 **A28.** Yes, it does.
18
19
20
21
22
23

24 ²⁵ [https://www.phila.gov/media/20210216165014/PWD-Statement-2-%E2%80%93-Direct-Testimony-And-](https://www.phila.gov/media/20210216165014/PWD-Statement-2-%E2%80%93-Direct-Testimony-And-Schedules-Of-Melissa-La-Buda-Supplemented-As-Of-Formal-Filing.pdf)
25 [Schedules-Of-Melissa-La-Buda-Supplemented-As-Of-Formal-Filing.pdf](https://www.phila.gov/media/20210216165014/PWD-Statement-2-%E2%80%93-Direct-Testimony-And-Schedules-Of-Melissa-La-Buda-Supplemented-As-Of-Formal-Filing.pdf)

²⁶ <https://www.phila.gov/media/20210513093206/Brief-May-11-2021.pdf>

²⁷ See, Philadelphia Code § 13-101(2).

Melissa La Buda

melissa.labuda@phila.gov

Education

Bloomsburg University of Pennsylvania
Bloomsburg, Pennsylvania
Bachelor of Science in Business
Administration May 1995

Organizations / Affiliations

American Water Works Association (AWWA)
Financial Community Advisory Group
2019

National Association of Clean Water Agencies (NACWA)
Finance Workgroup
2016 to Present

Professional Experience

City of Philadelphia, Philadelphia Water Department, Philadelphia, Pennsylvania **Deputy Water Commissioner, Chief Financial Officer, 2015-present** **Assistant Deputy Water Commissioner, 2013-2014**

- Responsible for the Water Department's financial management, including: accounting, budget, rates and charges, debt management, grant management, capital program funding, audit, procurement, contract management, and risk.
- Provide financial oversight for an \$800 million Operating Budget, plus a \$400 million Capital Budget, and establish protocols to monitor long-term budget stability.
- Provide expert witness testimony to legislative and regulatory matters to various agencies on behalf of the Department
- Manage a team of 60 professionals that perform necessary financial operations in support of the Water Department and its 2,000+ employees
- Led the development of a long-range financial planning model and Cost Allocation Plan
- Implemented the creation of standard operating procedures for the Finance and Accounting Units

Morgan Stanley, Inc., New York, New York **Fixed Income Division, Public Finance Department – Vice President, 2005-2013**

- Provided investment banking services to some of the country's largest public utility systems, including origination, structuring and execution of a variety of municipal debt transactions
- Helped solve complex financing challenges and led the financing for over \$25 billion of municipal debt
- Structured and marketed various financing and refinancing options to municipal debt issuers.
- Worked on all aspects of business development, development of product marketing materials, responses to request for proposals, rating agency and investor materials.
- Demonstrated relationship development expertise that resulted in expansion of the Firm's municipal client base, increasing revenues.
- Led marketing, structuring and execution of the South Carolina Public Service Authority's ("Santee Cooper") Series 2012ABC Transaction.

Public Financial Management, Inc., New York, New York **Financial Advisory - Senior Managing Consultant, 2001-2005**

- Analyzed, structured and executed municipal debt transactions for Utility and Transportation issuers. Worked independently and as a team member on all aspects of transactions including complex modeling, marketing, structuring, pricing, execution and documentation.
- Performed pre- and post-pricing analysis. including analysis of comparable transactions, market conditions and overall plan of finance objectives. Created rating agency presentations and written marketing materials for existing clients.
- Provided structuring and analytical advice to MEAG Power, JEA, Energy Northwest, BATA, MBTA, and ACTA on debt restructuring and new money issuance totaling in excess of \$6 billion of debt.
- Analyzed and structured the State of Wisconsin \$1.7 billion Pension Obligation Bonds

Morgan Stanley Investment Management, West Conshohocken, Pennsylvania
Marketing Services - Associate, 1999-2001

- Created product proposal responses for Morgan Stanley Investment Management's investment services, specifically for high yield, emerging market debt and investment grade fixed income products.

Public Financial Management, Inc., Harrisburg, Pennsylvania
Asset Management Group - Trader, 1996-1999

- Facilitated daily trading of a \$1 billion dollar short-term investment grade, pooled fixed income portfolio.
- Assisted in management of individual portfolios for California and Pennsylvania local governments.

Dauphin Deposit Bank & Trust Co., Harrisburg, Pennsylvania
Private Asset Management - Analyst, 1995-1996

- Gained familiarity with handling of stock and bond trading from retail and institutional perspective.

PHILADELPHIA
WATER
—DEPARTMENT—



PHILADELPHIA
WATER
—DEPARTMENT—

FY21 Summary & Five-Year Financial Projection Plan

February 2022

PREPARED BY: MELISSA LA BUDA, PWD DEPUTY COMMISSIONER, FINANCE

PWD's vision is **“to be America's model 21st century urban water utility**
– one that fully meets the complex responsibilities and opportunities of our time and our environment.”



PWD is one of the City's ten operating departments that reports to the Office of the Managing Director and with approval of the Mayor, operates, maintains, repairs and improves the City's water and wastewater systems.



SYSTEM OVERVIEW

Utility Overview

- Serves 1,584,064 individuals*
- Approximately 490,000 active water accounts
- Approximately 540,000 wastewater accounts, including approximately 60,000 stormwater-only accounts
- Wholesale contracts with 10 entities for wastewater treatment represent a combined 5.03% of total revenues
- Top 10 customers account for ~9% revenue
- Typical total system residential bill is 1.8% of MHI which falls under the affordability threshold recommended by industry standards
- However, due to the City's high levels of poverty, the City/ Department needs to focus on the lowest cost of capital funding

*Based on 2020 US Census Bureau estimate

Operational Overview

- **System Level Planning**
- **Capital Improvement Program**
- **Policy and Regulatory Considerations**
- **COVID-19 Impacts and Hurricane Ida**
- **Increased Staffing Requirements**

OPERATIONS

System Level Planning

PWD is making important, consistent investment in the oldest portions of its infrastructure.

PWD's infrastructure has a shorter remaining useful life compared to other utilities (4 years below national average), which indicates more investment will be needed to operate and maintain the system.

- **Drinking Water Master Plan:** The Department's Water Master Plan outlines a comprehensive program to upgrade the City's drinking water treatment and supply facilities over the next 25 years. The Water Master Plan is \$1.25B above the current \$1.25B renewal and replacement program, totaling \$2.5B.
- **Green City, Clean Waters:** On April 6, 2021, the PADEP formally extended the City's compliance dates for its Year 10 performance standards and other deliverables required under the City's Consent Order and Agreement. As of the most recent projections, the total cost of the 25-year program is approximately \$4.5B, of which approximately \$3.5B are capital related costs and \$1B are operation and maintenance costs





OPERATIONS

Water Master Plan: Overview

400 projects have been identified in the Water Master Plan that will update, expand and improve reliability:

- 3 water treatment plants
- Pumping and storage systems

The City must address aged facilities, potential failure points and Increase the rate of emergency repairs and replacements:

- \$64.4M in ongoing water main replacements
- \$42.5M in ongoing sewer main replacements

OPERATIONS

Capital Improvement Program

Total 6-year program: \$3.5 billion (\$583 million/year)

- PWD updates its Capital Improvement Program (CIP) annually to help inform the Water Department's future critical strategic planning efforts.
- Approximately 90% of CIP costs to be funded with debt proceeds.
- The six-year program has decreased by \$146 million compared to the prior program due to FY21 COVID related impacts.

Capital Budget Summary (\$000)	FY 2022-2027
Collector System	\$966,060
Conveyance System	\$681,060
Engineering Admin. & Material Support	\$163,914
Water & Wastewater Facilities	\$1,687,350
Total	\$3,498,384



OPERATIONS

CIP: Past & Current Projects

Total: \$547,200,000

In the past 5 years, the Department has initiated and completed several key capital projects in order to maintain the integrity of its water and wastewater systems. Key projects include:

2016-2017

Drinking Water System Security Upgrades at Various Locations \$ 16,000,000
Clear Water Basin at Baxter WTP \$125,600,000
Flood Relief in Germantown – Northern Liberties Phase 5 \$ 14,100,000
Final Sedimentation Tank Improvements at Southeast WPCP \$ 17,200,000
Central Schuylkill Pumping Station – \$ 9,500,000
Water Main Replacements \$ 64,400,000
Sewer Main Replacements \$ 42,500,000

2018-2019

Dissolved Air Floatation System Improvements at Southwest WPCP \$ 23,100,000
American Street Corridor Improvements \$ 11,800,000
Wissinoming Green Street \$ 9,700,000
Baxter WTP: Flocculator Shafts/Bearings \$ 8,100,000
Advanced Metering Infrastructure (AMI) \$ 90,000,000

2020-2021

Torresdale Filter Water Pumping Station Mechanical/Facility Betterment \$ 85,300,000
RSL Final Sedimentation Tank 2 \$16,200,000
Collector Systems + Water Conveyance on Baker / Wilde / Fountain / Mallory \$ 13,700,000



NTP

Construction

Ongoing

Closed

OPERATIONS

Policy Considerations

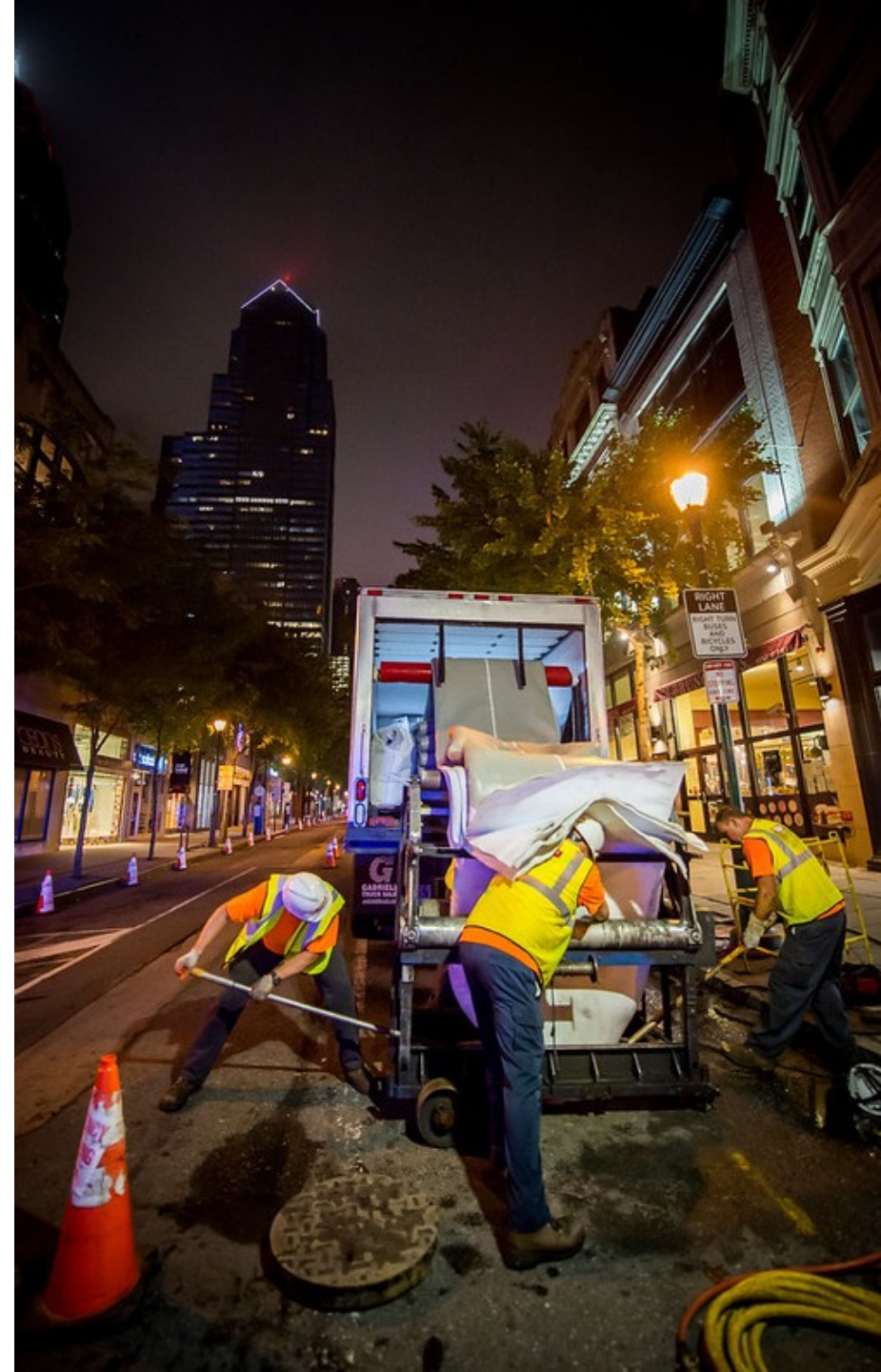
Ongoing policies and upcoming changes to regulations will impact Department spending and revenue.

Shutoff Moratorium

- The moratorium has been extended and is expected to be in place until April 2022. As of January 3, 2022, there are over 69,000 accounts eligible for shutoff but have not been disconnected due to the moratorium.

Labor Agreements and Negotiations

- In September, New Labor Agreements were negotiated for Department Employees in DC33 which will increase salaries 2.5% in FY2022 and 3.25% in FY 2023 and FY 2024.
- Costs of Service Analysis developed for the last rate case assumed an annual salary increase of 2.0% for FY 2022 through FY 2024.



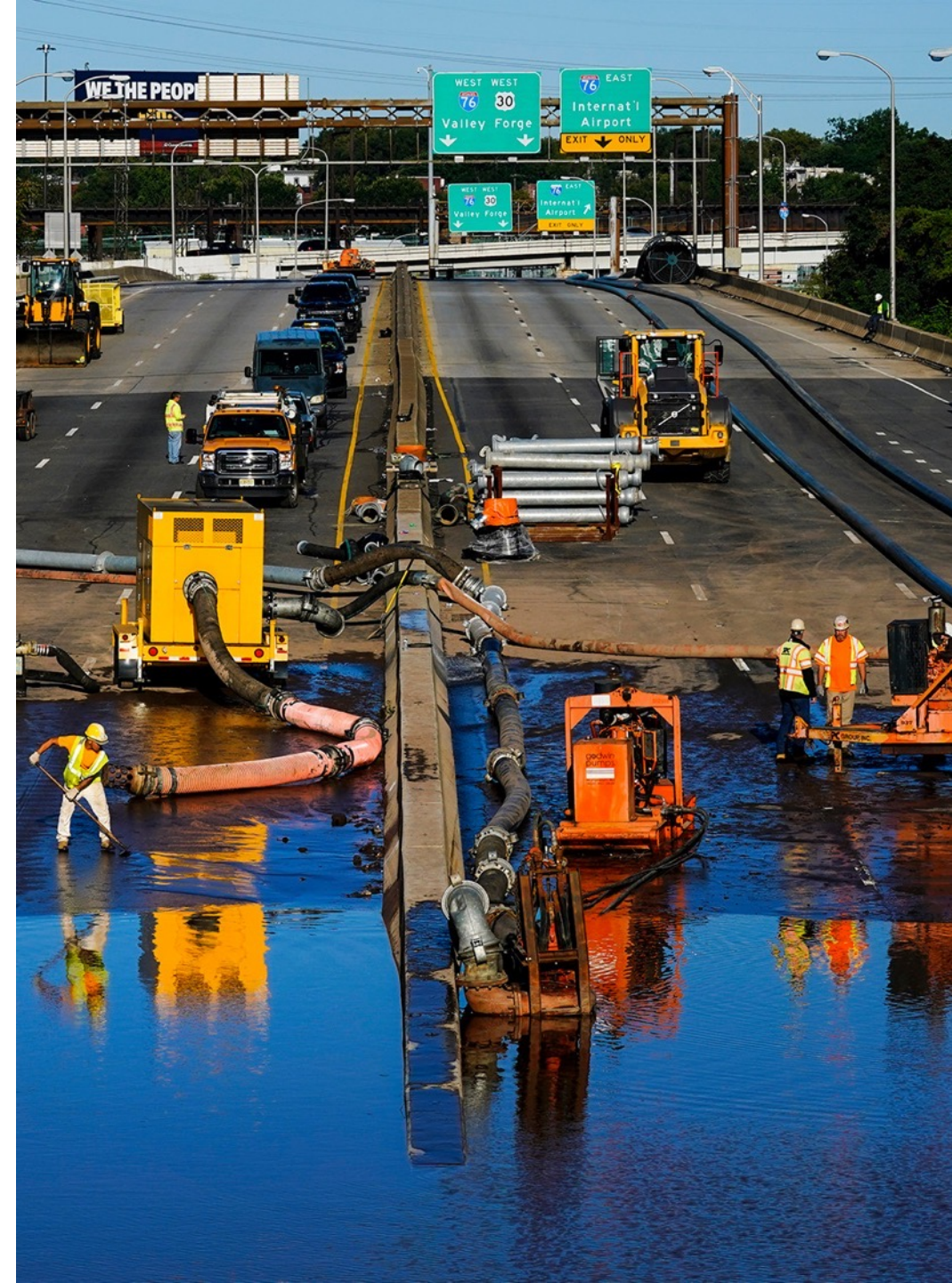
OPERATIONS

Regulatory Considerations

Ongoing compliance and upcoming changes to regulations will impact Department spending.

Municipal Separate Storm Sewer System (MS4): The City is currently operating under an administratively extended 2010 expired permit. PADEP is expected to issue a new MS4 permit in 2022 and the Department will likely incur significant costs in order to comply with additional MS4 permit obligations.

Lead and Copper: Pursuant to the federal Safe Drinking Water Act, the Department is required to conduct Lead and Copper Rule (“LCR”) monitoring as required by the EPA and PADEP. Under the recently revised LCR, some of the new requirements include creating an inventory of lead service lines, conducting testing at schools and daycares, conducting additional monitoring and reporting and replacing lead service lines. This will increase compliance costs for public water systems such as the Department.

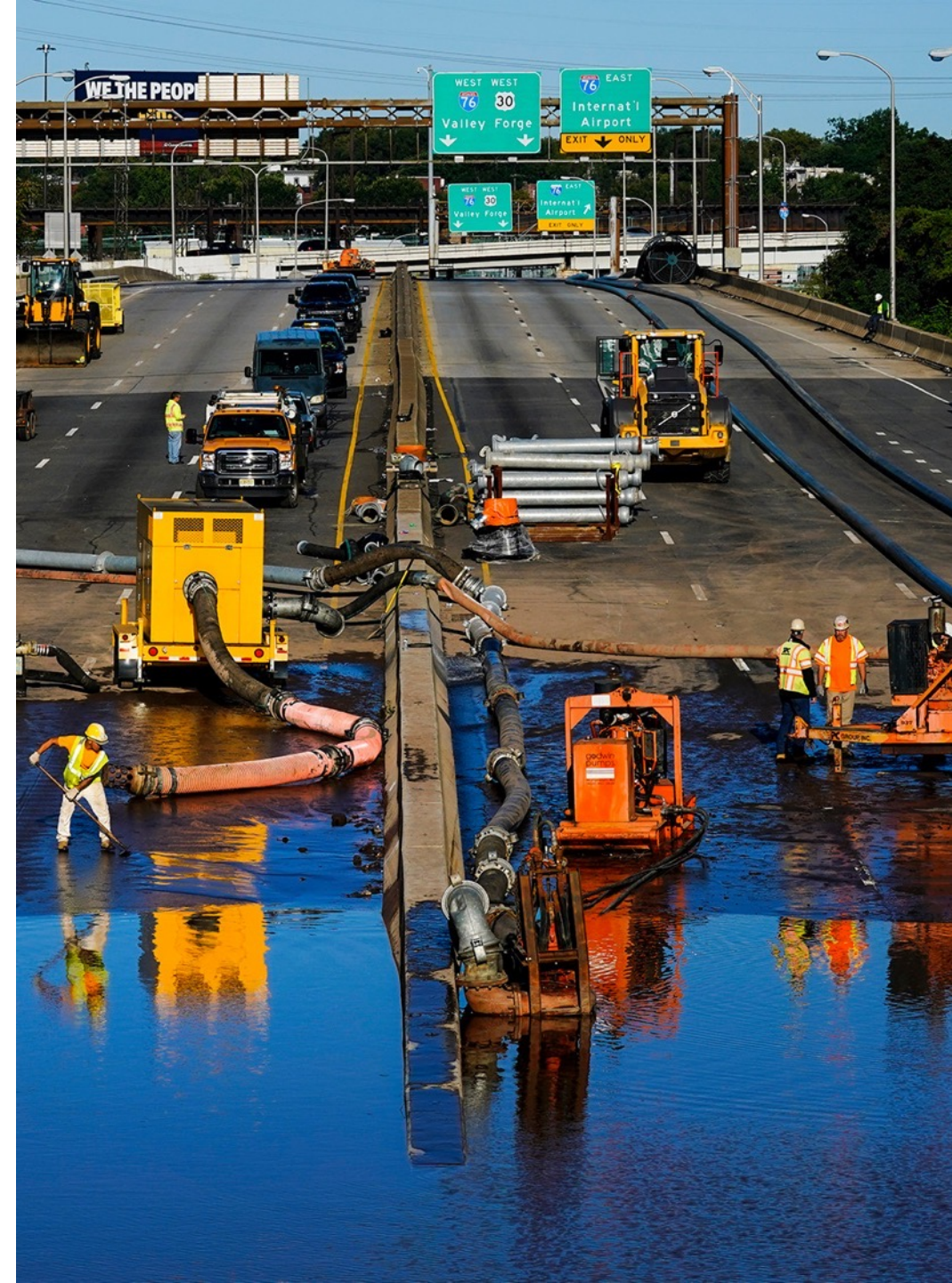


OPERATIONS

Impacts of COVID-19 & Hurricane Ida

- Project delays resulting from COVID-19 have created a backlog that puts pressure on the Capital Program. There is less flexibility in the schedule for crucial repairs and maintenance.
- Budget has been impacted by price increases (chemicals, materials, good and supplies). Early estimates show that chemical costs may rise between 20-50% over the next year.
- Our workforce has been impacted by increased vacancy rates, due to retirement and other factors.
- The Department has experienced damages due to Hurricane Ida¹. Although an emergency declaration has been issued, the timeline or amount of any reimbursement issued is uncertain.
- Many divisions within the Department are looking to resume activities (and restore budgets) at pre-COVID levels.

¹ **Note:** As of September 2021, preliminary estimates for damages from Hurricane Ida were approximately \$10 million.



OPERATIONS

70+ New Positions Needed for Regulatory Compliance

- New positions are required mostly for the design and maintenance of green stormwater infrastructure projects associated with the Consent Order & Agreement compliance under *Green City, Clean Waters*.
- In FY 2023, PWD Divisions are requesting the following:
 - Consent Order Compliance: 35+ positions
 - Operations Support: 30 positions
 - Lead and Copper Compliance: 5 positions
- The Cost-of-Service Study anticipated 9 additional positions in FY 2023. The current request of 70+ positions is significantly greater than the number of positions reflected in the Rate Filing and associated retail and wholesale rates.



Financial Performance

- **Revenue and Expense Summary**
- **Debt Service & Capital Funding**
- **Cash Balances**

FINANCIAL PERFORMANCE

FY21 Revenues

System-generated revenue results (excluding transfers from Rate Stabilization Fund) were **higher than projections, with a 3.16% variance.**

FY 2021 REVENUES

PRELIM FINAL	\$730,451,031
SETTLEMENT	\$708,086,734

Note: Revenue totals presented exclude revenues from the Rate Stabilization Fund.

FINANCIAL PERFORMANCE

FY21 Expenses

Expense results were nearly equal to projections, with a 0.002% variance.

FY 2021 EXPENSES

PRELIM FINAL	\$707,408,531
SETTLEMENT	\$707,392,141

Note: Obligations include transfers to the Rate Stabilization Fund and liquidated encumbrances.

FINANCIAL PERFORMANCE

Debt Service & Capital Funding

Debt Service	FY21 Prelim Final	Minimum Requirement	Target
Revenue Bonds Debt Service Coverage	1.27x	1.20x	1.30X
90% Test Coverage	1.12X	0.90X	NA
Total Debt Service Coverage	1.12x	1.00x	NA

FINANCIAL PERFORMANCE

Rate Stabilization Fund & Liquidations

Transfers

FY21 Settlement

FY21 Prelim Final

Variance

Rate Stabilization
Fund Withdrawal

36,664

27,000

-26%

Liquidations

FY21 Settlement

FY21 Prelim Final

Variance

Liquidated
Encumbrances

(32,746)

(23,993)

27%

FINANCIAL PERFORMANCE

Cash Balances

Cash Balances	Residual Fund	Rate Stabilization Fund	TOTAL Cash Reserves
FY2021 Prelim Final	\$16.33M	\$124.66M	\$140.69M
Target	\$15 M	\$135 M	\$150 M

Financial Policies

- **Key Financial Policies**
- **Capital Funding**
- **Debt Service Coverage**
- **Outstanding Debt**
- **Cash Reserves**
- **Federal Assistance**

FINANCIAL POLICIES

Key Financial Policies

PWD's financial metrics do not compare favorably with many of its peer utilities (e.g., financial reserves, debt service coverage). To improve its peer comparison, the PWD needs to bolster its financial metrics for the best alignment between debt service coverage and cash reserves.

PWD is focused on achieving **five key financial objectives** related to:

- **Capital Funding from Current Revenues:** Transition to 20% funding of capital program from current revenues.
- **Debt Service Coverage:** Maintain 1.30x debt service coverage for senior debt.
- **Debt Issuance:** Relieve cash flow pressure and better align debt payments, over the lifetime of assets, through strategic debt amortization.
- **Cash Reserves:** Maintaining and replenishing cash reserves to absorb future costs and offset the level of rate increases.
- **Federal Assistance** – Secure \$100M annually of federal assistance for Capital program

FINANCIAL POLICIES

Capital Program Funding Trends

Over the next few years, **PWD is not projected to meet its goal of funding at least 20% of its capital program from current revenues.** Transfers to the Capital Account must increase, over time, to achieve the 20% goal.

	Cash Funded Capital (000s)	Total Expenditures for Capital (000s)	%
FY2022	\$36,747	\$287,785	12.8%
FY2023	\$39,055	\$360,099	10.8%
FY2024	\$62,162	\$513,406	12.1%
FY2025	\$70,274	\$601,647	11.7%
FY2026	\$81,296	\$653,682	12.4%
FY2027	\$96,136	\$683,571	14.1%

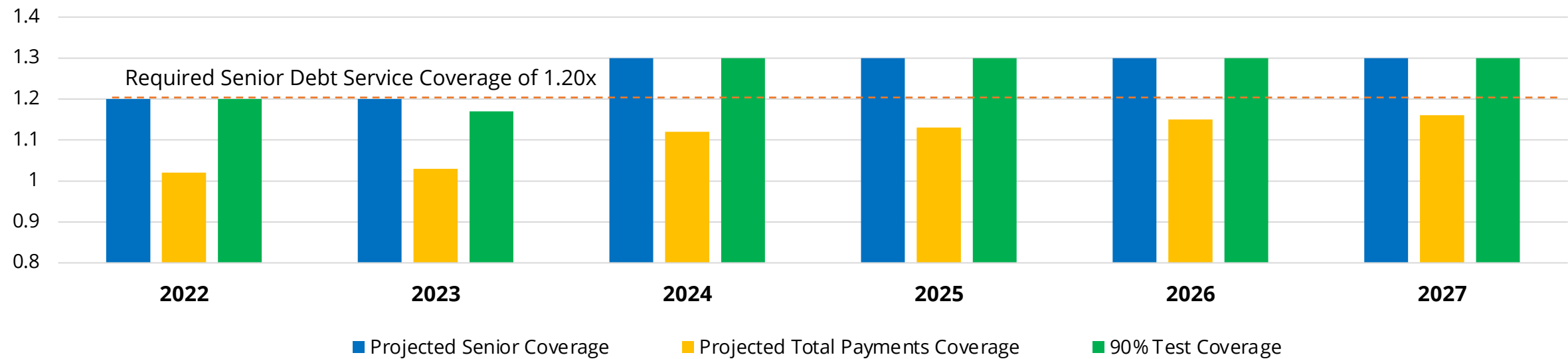
source: PWD Financial Statements , Rate Compliance Schedule, Black & Veatch Financial Plan Tables

FINANCIAL POLICIES

Debt Service Coverage

PWD intends to target debt service coverage ratios of 1.30 for revenue bonds. In coming years, PWD will adjust coverage to balance the Capital Program funding from current revenues target of 20% with the rate increase level and overall leverage.

PROJECTED COVERAGE CALCULATIONS



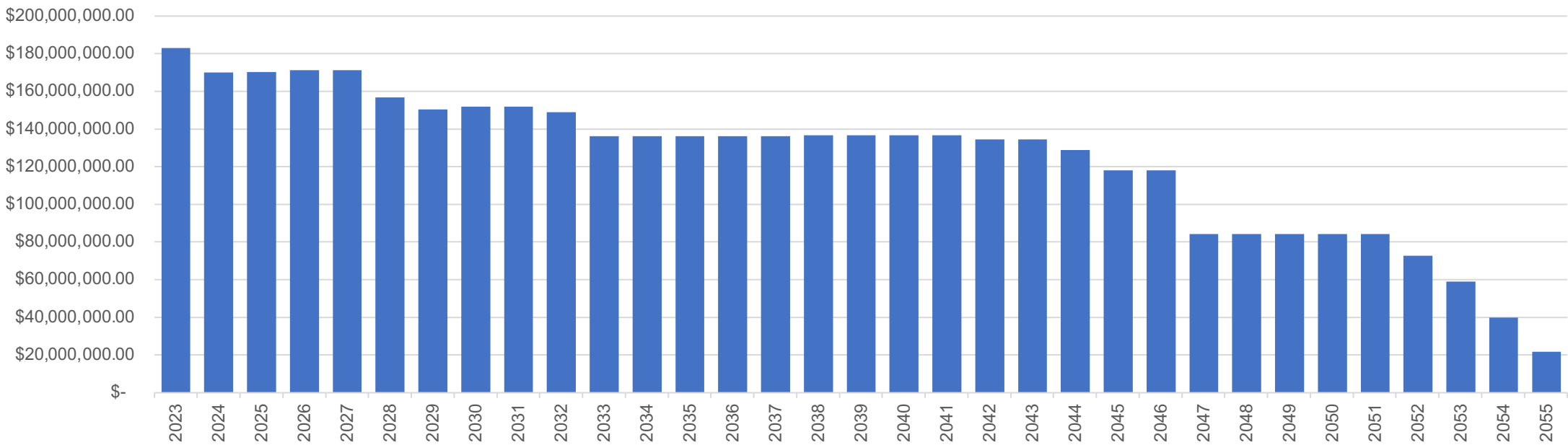
source: Schedule BV-4 Updated Financial Plan Report FY 2022 to FY 2027

FINANCIAL POLICIES

Outstanding Debt

- \$2.28 billion of par outstanding (as of June 30, 2021) with a final maturity in November 2054 (FY 2055)
- 100% of the Department’s outstanding debt is fixed rate
- Department continues to work closely with the Commonwealth in securing low-cost fixed rate loans under the Pennvest Loan Program
- In November 2020, the commercial paper program was authorized by City Council ordinance. In July 2021, the City executed its new commercial paper note program with a maximum authorization of \$250 million with two LOCs that expire July 29, 2024 (initial issuance of nominal \$2 million to date)

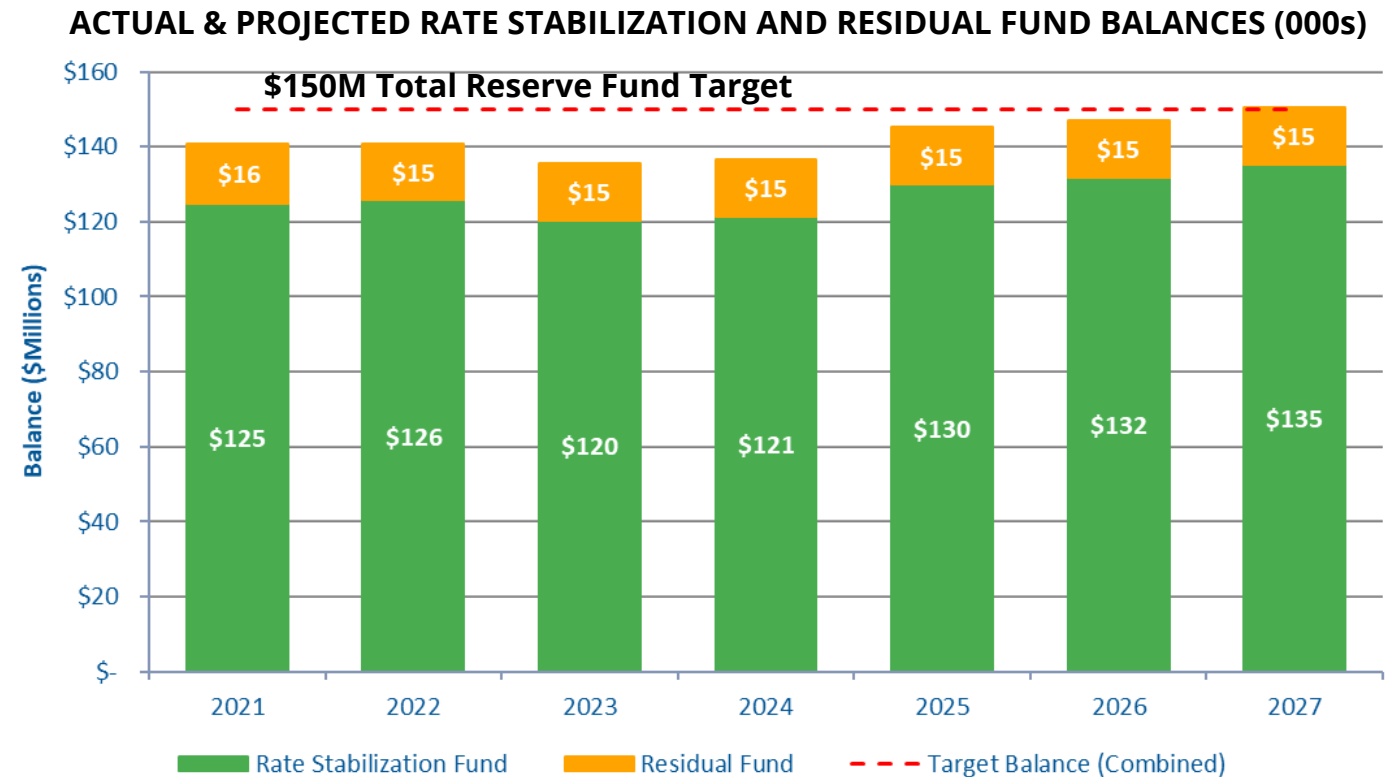
TOTAL DEBT SERVICE



FINANCIAL PERFORMANCE

Projected Reserve Balances

- The Department continues to utilize its reserves to mitigate the effects of insufficient rate relief.
- Reserves helped the utility get through unforeseen circumstances in the past 2 years (COVID-19 and Hurricane Ida). If reserves are further diminished, there is no guarantee that the Department will have the reserves to adequately address future challenges.
- S&P has clearly stated that **depleting the Rate Stabilization Fund reserves below \$120M will likely result in a downgrade for the utility.**



FINANCIAL POLICIES

Federal Assistance

- PWD is pursuing federal funding in order to support the funding of critical infrastructure upgrades.
- In June 2021, the City sold \$368.7 million of Water and Wastewater Revenue Refunding Bonds, garnering net present value savings (17.4% of refunded par amount) for the Water Department over the next 25 years.
- These savings will help the Water Department continue to make crucial system investments.

Assistance Program/ Requesting Organization	Date Submitted	Status	Amount Awarded Or Requested	Notes
PennVest	April 2020	Awarded	\$80.8M loan	Rehabilitation of the Torresdale Filtered Water Pump Station. The loan closed in February 2021.
PennVest	January 2021	Awarded	\$95.0M loan; \$5.1M funding offer	PennVest approved a loan and three funding offers to the City for the construction of the new preliminary treatment building at the Northeast Water Pollution Control Plant. The new facility will increase the plant's wet-weather treatment capacity.
PennVest	January 2021	Awarded	\$6M loan	PennVest loan to finance stormwater improvements in the Lawncrest neighborhood as part of the City's GCCP Program and COA target compliance
PennVest	August 2021	Awarded	\$20.7M loan	Draw-down loan to fund improvements to the City-owned Flat Rock Dam and introduce flow into the Manayunk Canal
Water Infrastructure Finance and Innovation Act (WIFIA) Letter of Interest	July 2021	Pending	\$500M	Under WIFIA, federal aid can cover up to 49% of project eligible costs.
PennVest	August 2021	Pending	\$40.4M	PennVest loan to fund water main replacements in the City of Philadelphia.
PennVest	Anticipated November 2021	Pre-Submittal	\$10M	PennVest loan to fund stormwater improvements in the City.
PEMA/FEMA Building Resilient Infrastructure and Communities (BRIC)	Anticipated November 2021	Pre-Submittal	~\$25M	

Peer Utility Comparison

- **Peer Utilities and Credit Rating**
- **Peer Utility Financial Metrics**
- **Affordability Comparison**

PEER UTILITY COMPARISON

Rating Distribution of Peer Utilities

PWD’s long-term credit standing falls within “A” for all three major credit rating agencies. Most of PWD’s peer utilities are ranked in the ‘AA’ category.

FITCH

BBB-	BBB	BBB+	A-	A	A+	AA-	AA	AA+	AAA
				Indianapolis	Philadelphia		Columbus (s) Washington DC	Boston (w) New York City St. Louis	

MOODY’S

Baa3	Baa2	Baa1	A3	A2	A1	Aa3	Aa2	Aa1	Aaa
					Philadelphia		Baltimore Cincinnati (S) Indianapolis Baltimore (S)	Boston St. Louis (S) Wash DC	Cincinnati (W) Columbus, OH (W)

STANDARD & POORS

BBB-	BBB	BBB+	A-	A	A+	AA-	AA	AA+	AAA
					Philadelphia	Indianapolis Baltimore (W)	Baltimore (S)	Boston Cincinnati (s) Columbus (w,s)	St. Louis (s) Cincinnati (w) Wash DC

Key: (w): water only, (s): sewer only

PEER UTILITY COMPARISON

PWD Credit Rating Overview

Synopsis of rating agency reports for City of Philadelphia Water and Wastewater Revenue Bonds and Water and Wastewater Revenue Refunding Bonds in 2021.

Fitch¹ A+ Rated: Stable Outlook (2021)	Moody's² A1 Rated: Stable Outlook (2021)	S&P³ A+ Rated: Stable Outlook (2021)
STRENGTHS AND OPPORTUNITIES		
<ul style="list-style-type: none"> Stable operations and robust system capacity Low operating risk profile Essential service provider - diverse service area Satisfactory financial performance; sound historical finances Improvements in service area characteristics and rate flexibility Leverage consistently below 8.0x 	<ul style="list-style-type: none"> Strong management team with conservative budgeting and prudent management Satisfactory reserves and reserve policy Large and diverse service area Closed-loop legal framework Declining debt service debt profile Some flexibility in capital budget Improvements in debt coverage or revenue growth beyond projections could improve rating 	<ul style="list-style-type: none"> A diverse and stable customer base Liquidity remains satisfactory Ample water supply & treatment capacity
CHALLENGES*		
<ul style="list-style-type: none"> Arduous rate approval process – rate affordability and cost recovery is a concern Elevated capital program costs – long-term asset rehabilitation Anticipated impacts to revenue due to coronavirus and proposed rate package Continued use of Rate Stabilization Fund (RSF) to maintain financial metrics Leverage (debt to funds available for debt service) concerns if 'revenue expectations' (i.e. rate increases) are not met 	<ul style="list-style-type: none"> Appropriation of financial reserves (or RSF) beyond current expectations Extended moratorium and higher than average delinquencies Dept's ability to raise rates is constrained by Rate Board governance Coverage projected to decline to covenant level (1.2x) Sizable CIP: 80% funded with bond proceeds 	<ul style="list-style-type: none"> Depleting the RSF below \$120M or significant COA project delays will likely lower rating Uncertainty around Rate Board process and PWD's ability to obtain rate increases Substantial investment and future debt issuances needed to support the department's aging infrastructure via CIP Affordability concerns given city's elevated poverty rate Moratorium extension

***Important Note:** The challenges presented include factors that could lead to a rating downgrade.

1.Source: Fitch Ratings. Fitch Rates Philadelphia (PA) Water & Wastewater Revs 'A+'; Outlook Stable – June 11, 2021 and September 16, 2021

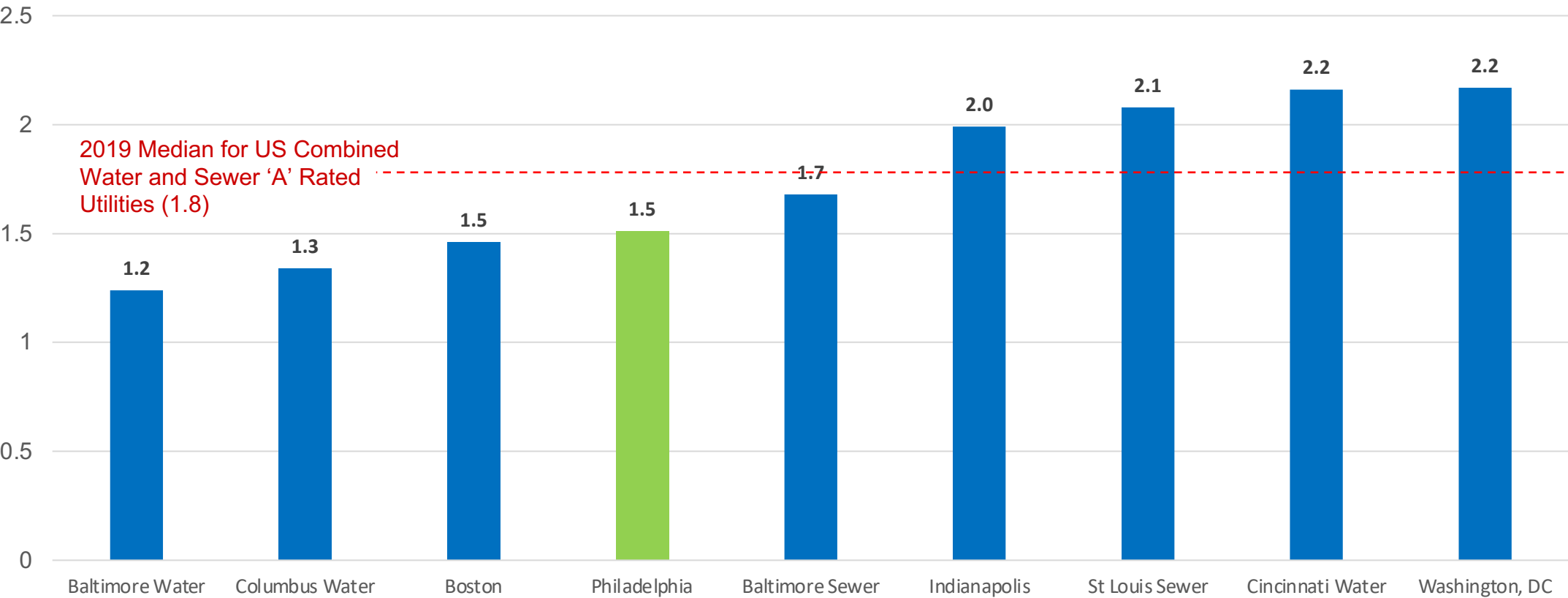
2.Source: Moody's Investor's Report. Philadelphia Water & Sewer Enterprise, PA New Issue Report – June 15, 2021 and September 17, 2021

3.Source: S&P Global Ratings – Philadelphia Water Sewer Ratings Direct Report – June 14, 2021 and September 17, 2021

PEER UTILITY COMPARISON

Annual Debt Service Coverage

PWD’s debt service coverage is below average when compared to other “A” water and sewer rated utilities.

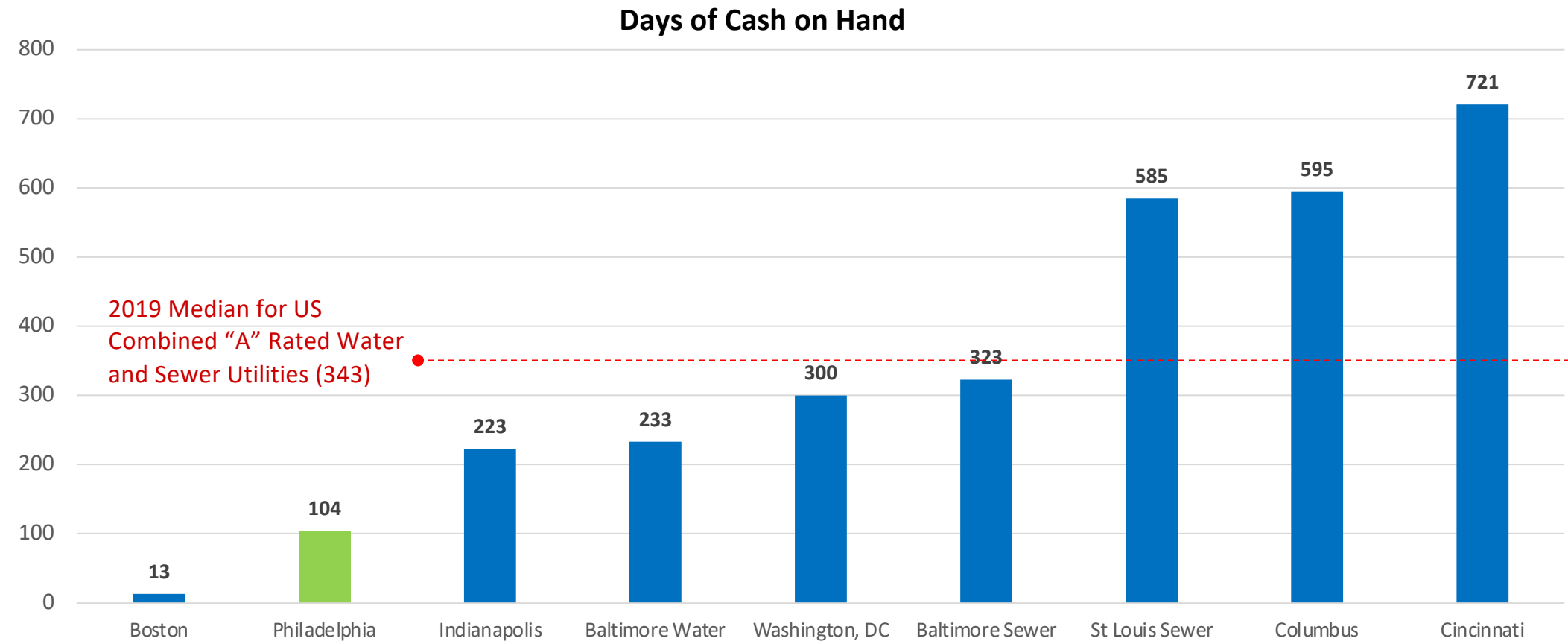


Source: Moody’s Investor Services. Fiscal 2020 data not available
Note: Annual debt service coverage is defined as “most recent year’s net revenue divided by most recent year’s debt service, expressed as a multiple.” (source: Moody’s Water and Sewer Utilities – US Medians - Rate increases support stable financial metrics in 2019 – May 11, 2021)

PEER UTILITY COMPARISON

PWD Reserve Levels vs. Peer Utilities

PWD has modest reserves compared to peer utilities and falls below the median for “A” rated water and sewer utilities.



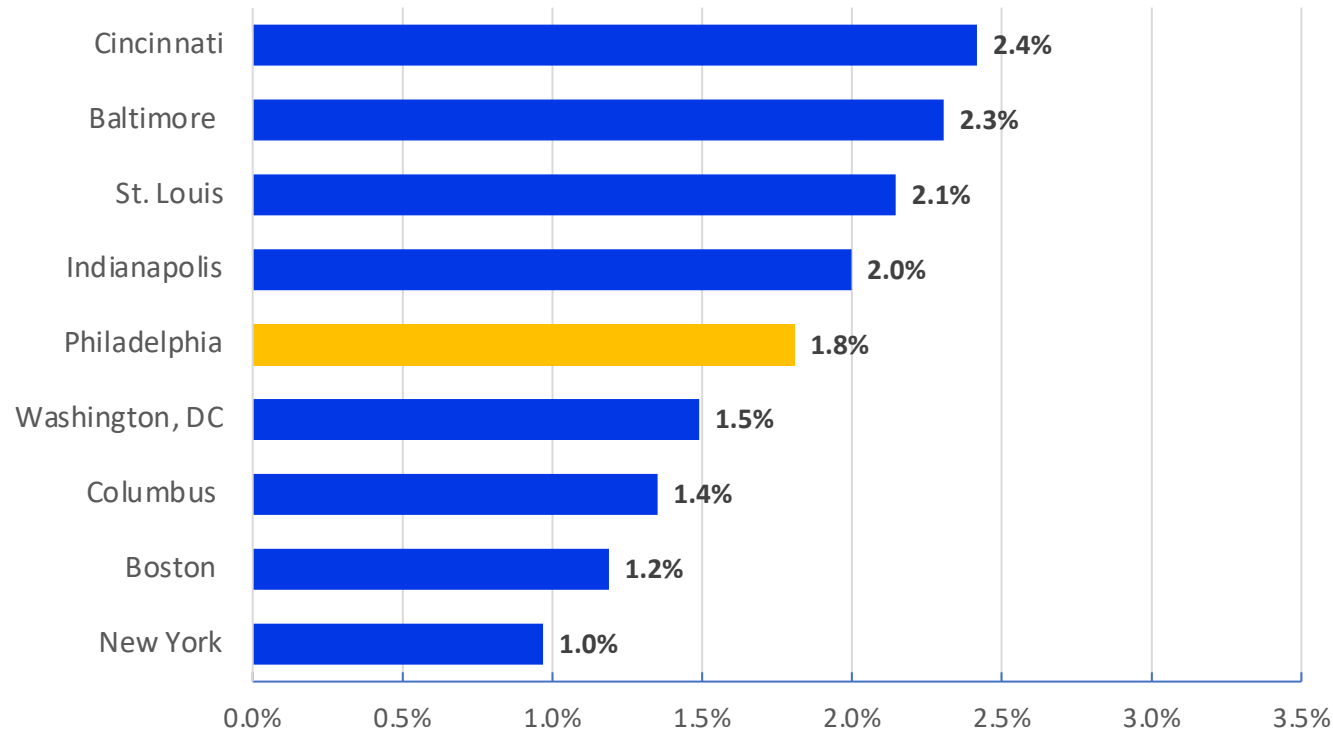
Source: Moody’s Water and Sewer Utilities – US Medians - Rate increases support stable financial metrics in 2019 – May 11, 2021)
Days of cash on hand information was not available for the following entities: Baltimore Water Enterprise, Greater Cincinnati Water Works, and City of Columbus, OH Water Enterprise.
NOTE: Days on cash is defined as the number of days that an organization can continue to pay its operating expenses, given the amount of cash available

PEER UTILITY COMPARISON

Affordability

PWD rates compare favorably to other large urban water and wastewater systems. At 1.8%, Philadelphia still falls under the affordability threshold recommended by industry standards.

COMBINED BILL AS % OF EACH CITY'S MHI




The Philadelphia Inquirer

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Business

Aqua Pa., big buyer of town utilities, seeks to boost suburban water bills 17% — and sewer charges far more

A typical suburban residential water customer's bill would increase to \$81.32 a month, or nearly \$1,000 a year.



Aqua Pennsylvania workers rebuild a water main in 2018 in Upper Darby. The Bryn Mawr water utility has filed for a 17.9% rate increase to recover \$1.1 billion in infrastructure costs it has invest ... [Read more](#)


JOSE F. MORENO / Staff Photographer

by Andrew Maykuth
Published Aug 23, 2021

Aqua Pennsylvania, the Bryn Mawr company that has been buying up public utilities in the Philadelphia suburbs in recent years, is [seeking to increase water bills](#) for 445,000 customers by 17% and sewer bills by almost double

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PEER UTILITY COMPARISON

Assistance Programs

The City imposed a moratorium on shut-offs and disconnects during the COVID-19 pandemic that is, at present, more expansive than other Pennsylvania utilities.

- As of January 3, 2022, there are over 69,000 accounts eligible for shutoff
- The City / PWD has extended the shut-off moratorium until April 2022
- The PWD / City is actively engaged in supporting efforts through Utility Emergency Services Fund and Philadelphia Housing Development Corporation
- Additionally, the City / PWD offers a variety of payment assistance through
 - i. Standard payment agreements
 - ii. Extended payment agreements
 - iii. Water Revenue Assistance Program ("WRAP")
 - iv. TAP and senior citizen discounts
 - v. Low Income Household Water Assistance Program



Summary

- PWD projected revenues and revenue requirements indicate that the full amount of FY 2023 incremental revenues approved in the 2021 Rate Determination (subject to reconciliation) is needed.
- PWD cannot further significantly draw down its financial reserves. Instead, the Department **must rebuild liquidity and improve financial position** over the long term.
- The age of PWD's system, maintenance needs, and necessary replacements necessitate continued and focused investment in its infrastructure.
- PWD does not compare favorably with many of its peer utilities (e.g., financial reserves, debt service coverage). To improve its peer comparisons for the long term, the PWD needs to bolster its financial metrics for the best alignment between debt service coverage and reserves.

Appendix

FY22-FY27 Projections:

Projected Revenue and Revenue Requirements

TABLE C-1: PROJECTED REVENUE AND REVENUE REQUIREMENTS
Base and TAP-R Surcharge Rates
(in thousands of dollars)

Line No.	Description	2022	2023	2024	2025	2026	2027
OPERATING REVENUE							
1	Water Service - Existing Rates	271,292	275,321	277,475	275,358	273,110	270,842
2	Wastewater Service - Existing Rates	443,120	447,896	450,450	448,074	445,636	443,201
3	Total Service Revenue - Existing Rates	714,412	723,217	727,926	723,433	718,746	714,043
	Additional Service Revenue Required						
	Percent Months						
	Year Increase Effective						
4	FY 2023 6.77% 10		39,979	49,355	49,028	48,691	48,352
5	FY 2024 9.40% 10			59,707	72,565	72,098	71,629
6	FY 2025 9.41% 10				65,039	79,022	78,508
7	FY 2026 8.50% 10					63,814	77,528
8	FY 2027 8.51% 10						68,883
9	Total Additional Service Revenue Required	-	39,979	109,062	186,633	263,624	344,899
10	Total Water & Wastewater Service Revenue	714,412	763,197	836,987	910,066	982,370	1,058,942
	Other Income (a)						
11	Other Operating Revenue	24,468	15,027	13,431	13,359	13,287	13,216
12	Debt Reserve Fund Interest Income	-	-	-	-	-	-
13	Operating Fund Interest Income	1,280	1,266	1,418	1,512	1,549	1,624
14	Rate Stabilization Interest Income	1,256	1,241	1,224	1,276	1,335	1,374
15	Total Revenues	741,415	780,730	853,060	926,213	998,542	1,075,155
OPERATING EXPENSES							
16	Total Operating Expenses	(527,472)	(550,149)	(577,614)	(595,306)	(613,867)	(633,058)
NET REVENUES							
17	Transfer From/(To) Rate Stabilization Fund	(1,366)	5,416	(719)	(8,263)	(1,706)	(3,849)
18	NET REVENUES AFTER OPERATIONS	212,578	235,997	274,727	322,644	382,969	438,248
DEBT SERVICE							
	Senior Debt Service						
	Revenue Bonds						
19	Outstanding Bonds	(161,597)	(162,654)	(145,801)	(145,936)	(146,935)	(146,970)
20	PENNVEST Parity Bonds	(10,725)	(11,175)	(12,609)	(16,995)	(24,263)	(29,448)
21	Projected Future Bonds	(4,787)	(22,738)	(52,764)	(85,145)	(123,239)	(160,609)
22	Commercial Paper	(25)	(95)	(97)	(82)	(83)	(71)
23	Total Senior Debt Service	(177,134)	(196,662)	(211,272)	(248,158)	(294,520)	(337,097)
24	TOTAL SENIOR DEBT SERVICE COVERAGE (L18/L23)	1.20 x	1.20 x	1.30 x	1.30 x	1.30 x	1.30 x
26	Transfer to Escrow	-	-	-	-	-	-
27	Total Debt Service on Bonds	(177,134)	(196,662)	(211,272)	(248,158)	(294,520)	(337,097)
28	CAPITAL ACCOUNT DEPOSIT	(29,447)	(31,155)	(32,962)	(34,874)	(36,896)	(39,036)
29	TOTAL COVERAGE (L18/(L23+L25+L28))	1.02 x	1.03 x	1.12 x	1.13 x	1.15 x	1.16 x

TABLE C-1: PROJECTED REVENUE AND REVENUE REQUIREMENTS
Base and TAP-R Surcharge Rates
(in thousands of dollars)

Line No.	Description	2022	2023	2024	2025	2026	2027
RESIDUAL FUND							
30	Beginning of Year Balance	16,283	15,042	15,023	15,031	15,007	15,041
31	Interest Income	156	150	150	149	149	150
	Plus:						
32	End of Year Revenue Fund Balance	5,997	8,181	30,493	39,613	51,553	62,114
33	Deposit for Transfer to City General Fund (b)	1,882	1,902	2,113	2,448	2,880	3,351
	Less:						
34	Transfer to Construction Fund	(7,300)	(7,900)	(29,200)	(35,400)	(44,400)	(57,100)
35	Transfer to City General Fund	(1,882)	(1,902)	(2,113)	(2,448)	(2,880)	(3,351)
36	Transfer to Debt Service Reserve Fund	(94)	(450)	(1,435)	(4,386)	(7,268)	(5,185)
37	End of Year Balance	15,042	15,023	15,031	15,007	15,041	15,019
RATE STABILIZATION FUND							
38	Beginning of Year Balance (c)	124,661	126,027	120,611	121,331	129,593	131,299
39	Deposit From/(To) Revenue Fund	1,366	(5,416)	719	8,263	1,706	3,849
40	End of Year Balance	126,027	120,611	121,331	129,593	131,299	135,148

- (a) Includes other operating and nonoperating income, including interest income on funds and accounts transferable to the Revenue Fund and reflects projected contra revenue credits for Affordability Program Discounts (TAP Costs). Includes Debt Service Reserve Fund Release in FY 2022
- (b) Transfer of interest earnings from the Bond Reserve Account to the Residual Fund as shown in Line 33 to satisfy the requirements for the transfer to the City General Fund shown on Line 35.
- (c) FY 2022 beginning balance is estimated based on preliminary FY 2021 results.

Schedule ML-3

Rating Agency Reports

- S&P
- Moody's
- Fitch

RatingsDirect®

Summary:

Philadelphia; Water/Sewer

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Related Research

Summary:

Philadelphia; Water/Sewer

Credit Profile		
US\$228.73 mil wtr and wastewtr rev bnds ser 2021C due 10/01/2051		
Long Term Rating	A+/Stable	New
Philadelphia wtr & swr		
Long Term Rating	A+/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'A+' long-term rating to Philadelphia's series 2021C water and wastewater revenue bonds. At the same time, we affirmed our 'A+' long-term ratings and underlying ratings (SPURs) on the city's existing \$2.3 billion of water and wastewater revenue bonds. The outlook on the ratings is stable.

The city will use the series 2021C bond proceeds to finance capital improvements to its water and wastewater systems.

Securing debt service are net revenues of the water and sewer fund, which include (net of operating expenses) rates and charges of the system, transfers from the rate stabilization fund (RSF), and interest earnings. Rates must be set to generate revenues and charges plus transfers from the RSF that represent at least 1.2x annual debt service on senior revenue bonds and 1.0x coverage when including all subordinate debt (if outstanding, which currently they are not) and certain other transfers. The city can issue additional debt as long as it is complying with the rate covenant at the time of issuance and net revenue projections are sufficient to provide for rate covenant compliance for the two fiscal years following the debt issuance. There is an additional test that requires that the city maintain net system revenues (excluding transfers from the RSF) totaling at least 90% of operating requirements (90% test). This provides additional bondholder protection, in our view, since this effectively limits how much the system can rely on draws from the RSF. This provision also applies to the additional bonds test.

Credit overview

Our 'A+' rating reflects our view that the service territory benefits from serving a large metropolitan center that serves as an anchor for employment throughout the region, despite facing ongoing headwinds due to challenges keeping its utility rates affordable for all its ratepayers. While the city's Rate Board has historically supported rate increases to maintain ample capacity for Philadelphia Water Board's (PWD's) operations and capital needs, we foresee future challenges that could place downward pressure on PWD's financial position, most notably funding of a large capital improvement program (CIP) while concentrating on rate affordability. However, we believe that the city has flexibility in dealing with future revenue pressures, and because of this the rating outlook is stable. Examples of this flexibility include the following:

- The ability to reprioritize its CIP, as it has demonstrated during 2020 and 2021 due to the COVID-19 pandemic.
- Less than 25% of the six-year CIP 2022-2027 is related to regulatory mandates of its Consent Order and Agreement

(COA) with the Pennsylvania Dept. of Environmental Protection (PADEP). In addition, we have observed a good degree of cooperation between state and local officials regarding COA implementation, which we would expect to continue.

- Significant legally unrestricted balances that generally hover around or exceed \$200 million, including a RSF, that should help to support PWD's liquidity needs. The city plans to use about \$365 million of cash generated from net operating revenues over the 2022-2027 period to support its \$3.5 billion CIP, but the funding will come from the residual generated from the 1.2x in annual debt service coverage (DSC) that PWD's projections indicate it will be at or higher through the 2027 forecast period.
- Management's demonstrated strengths at mitigating environmental, social, and governmental (ESG) risks through assistance programs, commitment to a significant amount of green infrastructure, and consistent communications of financial trends with the Rate Board.

To meet the 1.2x DSC covenant, PWD relies on approval of future rate increases that generate an 8.4% increase in revenues, not accounting for any positive variances that could occur to offset this revenue requirement. Setting rates to the legal minimum leaves very little cushion for future revenue deviations, which could threaten compliance in any given year without additional unplanned use of the RSF.

We also note that while PWD has a certain degree of flexibility in how much funding it dedicates toward capital projects in any one year, the CIP is large. A component of the plan is the 25-year \$4.5 billion COA project cost, involving about \$3.5 billion of capex and \$1.0 billion in operating & maintenance costs. Deferral of capital could result in infrastructure under-investment, creating additional risks.

The stable outlook is predicated on the city being able to maintain rate covenant compliance without significant deviations in year-end unrestricted cash and investments (including the RSF). However, the outlook incorporates some planned spend-down in the RSF as indicated in PWD's current projections.

Stable Outlook

Downside scenario

If PWD's financial results indicate a rate covenant violation, then we would likely lower the rating. If we believe that future rate covenant compliance is likely to rely on unplanned additional rate increases to achieve revenue requirements, deplete the RSF below the targeted \$120 million indicated in its current projections, or require significant capital or COA project delays, we would likely lower the rating.

Upside scenario

Because of the headwinds and uncertainties related to future financial performance that the city is currently facing, we do not foresee an upgrade in at least the next several years. In time, if the city's financial performance significantly and consistently exceeds current projections, we could raise the rating.

Environmental, social and governance factors

We note that because of the ongoing corrective action plan measures and the attention that must be paid to affordability metrics, both environmental and social factors carry outsized credit relevance. The moratorium on

shutoffs and disconnects, implemented in March 2020, has been extended through April 2022. To financially support its customers, the city has an industry-recognized, multifaceted customer bill-pay assistance program for qualifying customers, including payment programs, bill reductions, and a dedicated surcharge on usage to provide dedicated funding for a portion of the program. The average monthly residential water and sewer bill is about \$70.

Although the system is older and the CIP will reflect reinvestment needs, it still has ample and reliable raw water supply and treatment capacity. We note that in some aspects it even compares favorably versus peers, such as readiness for potential state rulemaking on currently unregulated contaminants, and that it converts 100% of its biosolids for Class A beneficial land application usage.

The CIP, although daunting, is supported by operational and financial management that is highly aligned, establishing prioritization among non-mandated projects and to the extent reasonably possible, includes resilience measures toward climate change and overall risk management that we view as comparable with peer very large systems.

PWD benefits from strong and proactive management, which is deliberately targeting affordability concerns as it works through its substantial capital needs. Combined water and sewer rates are just over 2.0% of local incomes (including the stormwater fee), but we believe requests for increases may be pressured given current recessionary conditions and social risks compared to other water utilities stemming from the elevated county poverty rate and the need for the Rate Board to approve all rate increases. Management has continued to advertise its Tiered Assistance Program (TAP), which provides rate relief to low-income customers.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of September 17, 2021)

Philadelphia wtr and wastewtr rev rfdg bnds (Federally Taxable) ser 2021B due 06/01/2051		
<i>Long Term Rating</i>	A+/Stable	Affirmed
Philadelphia wtr & swr (AGM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Philadelphia wtr & swr (BAM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Philadelphia wtr & swr (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Philadelphia wtr (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Rating Action: Moody's assigns A1 rating to Philadelphia Water & Sewer Enterprise, PA's Series 2021C; outlook stable

17 Sep 2021

New York, September 17, 2021 -- Moody's Investors Service has assigned an A1 rating to the City of Philadelphia Water & Sewer Enterprise, PA's \$229.3 million Water and Wastewater Revenue Bonds, Series 2021C. Concurrently, Moody's maintains the A1 rating on roughly \$2.23 billion of parity debt outstanding as of April 30, 2021. The outlook is stable.

RATINGS RATIONALE

The A1 rating speaks to Philadelphia Water and Sewer Enterprise, PA's (or Philadelphia Water Department (PWD), or "the department") satisfactory current financial position, with revenues supported by its large and diverse service area - primarily the city of Philadelphia (A2 stable) and its immediate suburbs. The rating also reflects the department's sizeable consent order and the system's aging infrastructure, both of which require significant ongoing capital investment. The A1 rating incorporates our expectation of substantial future debt issuance in the coming years to support the department's capital improvement plan.

The Water Department's conservative financial forecasts continue to project moderate revenue pressure in the near term due to the continued effects of the coronavirus pandemic, particularly high residential customer delinquencies. Higher than average delinquencies are expected to persist until the end of the city's water shut-off moratorium, anticipated in April 2022. Favorably, actual results for fiscal 2021 outperformed budget expectations by a healthy margin. Of concern, however, is the department's continued projections for fairly narrow "legally enacted" debt service coverage. Also of material concern is the rate board's continued limitations on the department's revenue raising ability, which serves to materially curtail management's operating flexibility. While these financial challenges do not pose an immediate risk to the department's credit profile, prolonged economic stress in the customer base, coupled with continued limitations on the department's operating flexibility, could present downward rating pressure.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. Philadelphia Water and Sewer Enterprise has faced both fiscal and operating challenges as a result of the coronavirus, and continues to capably manage through the pandemic's after-effects.

RATING OUTLOOK

The outlook is stable given consistent historical results and our expectation that management will continue to act to maintain structural operating balance and meet coverage covenants despite near-term revenue pressures. Annual debt service requirements are currently manageable, with several consecutive years of decline embedded in the current schedule. This should serve to keep costs reasonable, even with annual new money issuances to support the department's sizeable CIP. Engineer and financial consultant reports are required for each bond issuance, also adding to operational stability and comprehensive debt planning. Incorporated into the stable outlook is an expectation that the department will use its rate stabilization reserve to meet debt service coverage covenants in fiscal 2021 and 2022. However, we also anticipate that the reserve usage will be modest, temporary, consistent with rate covenants, and still in line with the current rating.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Considerable improvement in debt service coverage
- Service area expansion / revenue growth beyond expected rate increases

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Failure to meet bond coverage covenants
- Inability to increase rates commensurate with coverage requirements and in line with the department's

internal standards

- Appropriation of reserves beyond current expectations

LEGAL SECURITY

The bonds are special obligations of the city of Philadelphia, secured equally and ratably with the city's outstanding Water and Wastewater Revenue bonds. All Water and Wastewater Revenue bonds are secured by a pledge of and security interest in all Project Revenues derived from the city's water and wastewater systems.

USE OF PROCEEDS

Proceeds from the Series 2021C bonds will be used to support capital improvements to the system's infrastructure.

PROFILE

The Philadelphia Water & Sewer Enterprise provides water and sewer treatment service to the city of Philadelphia and some of its surrounding suburbs. PWD's customer base includes approximately 480,000 active water accounts and 545,000 active wastewater accounts.

METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt published in October 2017 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1095545 . Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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16 SEP 2021

Fitch Rates Philadelphia (PA) Water and Wastewater Revs 'A+'; Outlook Stable

Fitch Ratings - New York - 16 Sep 2021: Fitch Ratings has assigned an 'A+' rating to the following Philadelphia, PA (the city) revenue bonds:

--Approximately \$228.7 million water and wastewater revenue bonds, series 2021C.

The bonds are anticipated to be sold via negotiation the week of Sept. 27. Proceeds will be used to fund a portion of the capital improvement program and pay issuance costs.

The Rating Outlook is Stable.

ANALYTICAL CONCLUSION

Fitch's 'A+' rating reflects the Philadelphia Water Department's water and wastewater system's (PWD or the system) leverage profile within the context of its strong revenue defensibility and very low operating risk profile. The rating and Outlook incorporate Fitch's expectations that PWD will secure rate adjustments sufficient to maintain the current financial profile, while continuing to implement its substantial capital improvement plan (CIP).

Revenue defensibility reflects the system's role as an essential service provider within a well-defined service territory, stable demographic trends, and a rate setting process that constrains rate flexibility. The operating risk profile incorporates investment needs that are expected to remain elevated for the foreseeable future as the system faces long-term asset rehabilitation needs and continues progress toward addressing combined sewer overflows.

Fitch's analysis incorporates a base and stress scenario, which includes the system's CIP and anticipated debt issuance as well as expectations for revenue that reflect the continuing impact of the coronavirus and the recently approved rate package. Leverage, as measured by net adjusted debt to adjusted funds available for debt service, was approximately 8.9x in fiscal 2020. Fitch expects additional debt issuance and compressed financial margins over the next few years will lead to an increase in the leverage ratio. Leverage should remain below 10x over the next five years but is dependent on key assumptions, including continuing approval of rates to support operations and the CIP and management of debt issuance that minimizes the impact on leverage.

CREDIT PROFILE

The Philadelphia Water Department provides potable water to all of the nearly 1.6 million residents of the city as well as a small wholesale customer that serves accounts in neighboring Montgomery and Delaware Counties. The wastewater service area, which includes the city as well as portions of the surrounding counties through wholesale contracts, serves a larger population estimated at nearly 2.3 million. The retail customer base is highly diverse, comprising predominantly residential users. The 10 largest customers

comprised 9.2% of fiscal 2020 revenue including the city and Philadelphia Housing Authority, which together account for about 4.6% of revenue.

Operations are stable and system capacity is robust. Average daily water demand is comfortably below permitted water supply and capacity at all treatment facilities remains well within existing permit limits. Raw water supplies from the Delaware and Schuylkill rivers are sufficient for the foreseeable future.

The city continues to operate under a consent order and agreement (COA) signed in 2011 with the Pennsylvania Department of Environmental Protection (DEP). The COA requires PWD to address combined sewer overflows (CSO) over a 25-year period ending in 2036. Recent estimated total cost of the program, which began in 2012, is approximately \$4.5 billion (\$3.5 billion capital-related, \$1.0 billion O&M). Terms of the agreement, including total cost and timeline are considered by Fitch to be generally favorable for the city when compared with potential alternative and likely more costly strategies.

The city, citing force majeure due to coronavirus disruptions, requested an extension to complete the 10-year COA compliance obligations, which include certain milestones for greened acreage and lower CSO flows. The DEP granted the city an extension to December 2021 for performance standards and until May 30, 2022 for delivery of the 10-year Evaluation and Adoption Plan. The city had anticipated meeting the milestone prior to the pandemic and anticipates meeting revised compliance milestones.

Fitch considers the system to be a related entity to the city (IDR A-/Stable) for rating purposes given the city's oversight of the system, including its management of operations and the rate setting process. The credit quality of the city does not currently constrain the bond rating. However, as a result of being a related entity, the issue ratings could be affected by a decline in the general credit quality of the city as outlined in Fitch's U.S. Public Finance Tax-Supported Criteria.

Coronavirus Considerations

The city imposed a moratorium on shut-offs and disconnections in April 2020 to help offset economic hardships due to the coronavirus and has extended the moratorium until April 2022. The number of accounts eligible for shut-off is just over 68,700 in August 2021 across all customer classes, an approximately 5% decline since May 2021. The PWD withdrew its rate proceeding in February 2020, foregoing a rate increase in fiscal 2021. PWD will continue to utilize cost containment measures and the use of rate stabilization funds to maintain system financial metrics.

KEY RATING DRIVERS

Revenue Defensibility 'a'

Monopolistic Service Provider, Limited Rate Flexibility

PWD provides essential utility services to a stable service area that serves as the economic hub for the region. The customer base is diverse, and demographic indicators are midrange and stable. The rate approval process has proven somewhat arduous and rate affordability and cost recovery remain a concern, limiting overall revenue defensibility.

Operating Risks 'aa'

Very Low Operating Cost Burden, Elevated Capital Needs

The operating cost burden remains very low, approximating \$2,700 per million gallons (mg) of demand in fiscal 2020. While expected to rise, the cost burden should remain well within the \$6,500 per mg threshold for the current assessment. Rising annual capex trends and sizable long-term capital reinvestment plans should continue to lower PWD's currently elevated life cycle ratio, which was 48% in fiscal 2020.

Financial Profile 'a'

Strong Financial Profile, Leverage to Rise

The strong financial profile reflects the system's current leverage position, about 8.9x in fiscal 2020 and a liquidity profile that is neutral to the assessment. Recent updates to anticipated, though as yet audited, fiscal 2021 information indicate stable to improved results compared those previously anticipated, despite the absence of a rate adjustment in the recently completed fiscal year. Over time, leverage is expected to rise but financial metrics should remain consistent with the current assessment and rating, should revenue expectations hold.

Asymmetric Additive Risk Considerations

No asymmetric additive risk considerations affect this rating.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Leverage is sustained below 8.0x through Fitch's base and stress cases, in the context of the current revenue defensibility and operating risk assessments.

--Improvement in revenue defensibility assessment driven by improved subfactor assessments for both service area characteristics and rate flexibility.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Leverage is sustained above 10x through Fitch's base and stress cases.

--Failure to secure rate increases sufficient to maintain the current financial profile.

--Deterioration in the revenue defensibility assessment, raising the hurdle for leverage at the current rating.

--Deterioration in the city's credit quality may lead to negative rating action.

Best/Worst Case Rating Scenario

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

SECURITY

The bonds are secured by a senior lien on combined net revenues of the Philadelphia Water Department's water and sewer system.

For additional Information, please see Fitch's Rating Action Commentary dated June 11, 2021.

Date of Relevant Committee

10 June 2021

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Philadelphia (PA) [Water, Sewer]				
<ul style="list-style-type: none"> Philadelphia (PA) /Water & Sewer Revenues/1 LT 	LT	A+ 	Affirmed	A+ 

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[Public Sector, Revenue-Supported Entities Rating Criteria - Effective from February 23, 2021 to September 1, 2021 \(pub.23 Feb 2021\) \(including rating assumption sensitivity\)](#)

[U.S. Water and Sewer Rating Criteria \(pub.18 Mar 2021\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Philadelphia (PA) EU Endorsed, UK Endorsed

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Schedule ML-4

City of Philadelphia
Annual Financial Report for Fiscal Year Ended June 30, 2021

City of Philadelphia

Since 1682

Annual Financial Report



**Fiscal Year Ended
June 30, 2021**

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ROB DUBOW

Director of Finance

October 28, 2021

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

The Annual Financial Report of the Director of Finance for the fiscal year ended June 30, 2021 is hereby submitted.

This report was issued in compliance with the Philadelphia Home Rule Charter (Charter), which requires that the Director of Finance *"Issue within one hundred and twenty days after the close of each fiscal year a statement as of the end of that 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"*. This report is intended to meet these requirements and is preliminary, not audited, and subject to change. The Annual Comprehensive Financial Report (ACFR) will be published at a later date.

The report contains 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. It also contains 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 were available as of the date of this report are also presented. Discretely presently component units that are not presented in the AFR will be included in the ACFR.

GENERAL GOVERNMENT FUNCTIONS

GENERAL FUND

At June 30, 2021, an unreserved fund balance surplus of \$298.5 million was reported on the budgetary basis and a total fund balance of \$557.1 million was reported on the modified accrual basis. The difference of \$258.6 million is the result of three (3) reconciling items, as noted below.

Budgetary Basis Fund Balance	\$298.5
1. Less: BIRT six (6) months pre-pays	(167.3)
2. Add: Encumbrances	311.5
3. Add: Reserves	114.4
4. Add: Budget Stabilization Fund	-
Modified Accrual Basis Fund Balance	<u>\$557.1</u>

Please note:

- The “BIRT six (6) months pre-pays” represent Business Income & Receipts Tax payments received in advance of being earned on the modified accrual basis.
- Encumbrances are documents (i.e. purchase orders, contracts, etc.) that reserve appropriation in anticipation of future expenditures, and thus reduce the Budgetary Basis Fund Balance, but are not recognized as expenditures on the modified accrual basis.
- Reserves are amounts held by fiscal agents; and are not included in the Budgetary Basis Fund Balance, but are recognized in modified accrual. Two of the City’s component units (PAID and PRA) have issued conduit debt on behalf of the City. The City, through various agreements, is responsible for the debt, and therefore the proceeds of the issuance, are reported as assets (Amounts held by fiscal agents) of the City.
- Article 6-110 of the Home Rule Charter mandated the creation of Budget Stabilization Reserve. This reserve is part of the fund balance of the General Fund in the modified accrual statements but is separately budget and is presented on a distinct schedule (Exhibit 32). The Budget Stabilization Reserve fund has a zero balance as of June 30, 2021

The following schedules present a summary of General Fund revenues and expenditures on the modified accrual basis and the amount and percentages of increases and decreases in relation to the prior year. Please note that a narrative overview and analysis of these results will be included in the Management’s Discussion and Analysis section of the City’s ACFR.

SUMMARY GENERAL FUND REVENUES – MODIFIED ACCRUAL BASIS

Amounts in Millions in USD		Percent		Percent	
<u>Revenues</u>	<u>FY2021</u>	<u>of Total</u>	<u>FY2020</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
Tax Revenue	3,422.9	83.7%	3,581.5	(158.6)	-4.4%
Locally Generated Non-Tax Revenue	345.5	8.5%	367.9	(22.4)	-6.1%
Revenue from Other Governments	257.7	6.3%	362.6	(104.9)	-28.9%
Other Revenue	61.8	1.5%	13.5	48.3	357.8%
<u>Total</u>	<u>4,087.9</u>	<u>100.0%</u>	<u>4,325.5</u>	<u>(237.6)</u>	<u>-5.5%</u>

SUMMARY GENERAL FUND EXPENDITURES – MODIFIED ACCRUAL BASIS

Amounts in Millions of USD		Percent		Increase		Note
<u>Expenditures</u>	<u>FY2021</u>	<u>of Total</u>	<u>FY2020</u>	<u>(Decrease)</u>	<u>(Decrease)</u>	
Economic Development	34.8	0.8%	48.2	(13.4)	-27.8%	(1)
Streets & Highways	91.4	2.0%	101.9	(10.5)	-10.3%	(2)
Mass Transit	84.6	1.9%	86.3	(1.7)	-2.0%	
Police	1,215.1	27.0%	1,299.1	(84.0)	-6.5%	(3)
Prisons	297.9	6.6%	359.8	(61.9)	-17.2%	(4)
Courts	313.2	7.0%	321.9	(8.7)	-2.7%	
EMS	75.3	1.7%	64.8	10.5	16.2%	(5)
Health Services	203.1	4.5%	223.0	(19.9)	-8.9%	(6)
Housing	20.2	0.4%	26.3	(6.1)	-23.2%	(7)
Recreation and Parks	108.0	2.4%	106.8	1.2	1.1%	
Libraries and Museums	90.7	2.0%	96.6	(5.9)	-6.1%	(8)
Social Services	174.3	3.9%	174.0	0.3	0.2%	
Education	294.2	6.5%	263.2	31.0	11.8%	(9)
Inspections and Demolitions	54.7	1.2%	56.3	(1.6)	-2.8%	
Sanitation	156.0	3.5%	151.3	4.7	3.1%	
Fire	459.5	10.2%	461.1	(1.6)	-0.3%	
General Management	745.6	16.6%	858.2	(112.6)	-13.1%	(10)
Principal	5.5	0.1%	5.3	0.2	3.8%	
Interest	79.0	1.8%	20.9	58.1	278.0%	(11)
Bond Issuance Cost	1.6	0.0%	14.9	(13.3)	-89.3%	
<u>Total</u>	<u>4,504.7</u>	<u>100.0%</u>	<u>4,739.9</u>	<u>(235.2)</u>	<u>-5.0%</u>	

- (1) PAID stimulus payment; charged to FY21 appropriation, but booked as AP to FY20. Net \$8m swing
- (2) Decrease in indemnity payments.
- (3) \$28m decrease in payroll; \$36m decrease due to Pension Obligation Bonds fringes being deferred; \$20m impact of reduced payroll on other (non-POB) fringes.
- (4) \$19m decrease in payroll; \$8m due to Pension Obligation Bonds fringes being deferred; \$22m reduction in current and prior year professional services expenditures (net of accounts payable)
- (5) \$5m increase in payroll. \$3.2m in EMS supply expenditures moved between program codes.
- (6) Intergovernmental Transfer (IGT) payments related to health centers accrued as payables in FY20. Fewer to accrue in FY21.
- (7) \$5m decrease in conduit debt reserve payments.
- (8) \$3m decrease in conduit debt reserve payments
- (9) \$25m increase to School District of Philadelphia; \$5m increase to Community College of Philadelphia.
- (10) \$25m decrease in fringes due to Pension Obligation Bonds deferred in FY21, \$63m decrease due to CARES act expenditures which were transferred to the Grants Fund in FY21,
- (11) \$69m in interest related to "current refunding" of Pension Obligation Bonds.

The following schedules present a summary of General Fund revenues and obligations on the budgetary basis and the amount and percentages of increases and decreases in relation to the prior year. Please note that a narrative overview and analysis of these results will be included in the Management's Discussion and Analysis section of the City's ACFR.

SUMMARY GENERAL FUND REVENUES – BUDGETARY BASIS

Amounts in Millions in USD					
<u>Revenues</u>	<u>FY2021</u>	<u>Percent of Total</u>	<u>FY2020</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Tax Revenue	3,423.9	73.0%	3,555.9	(132.0)	-3.7%
Locally Generated Non-Tax Revenue	344.2	7.3%	365.1	(20.9)	-5.7%
Revenue from Other Governments	836.7	17.8%	858.5	(21.8)	-2.5%
Revenue from Other Funds	87.8	1.9%	54.0	33.8	62.6%
<u>Total</u>	4,692.6	100.0%	4,833.5	(140.9)	-2.9%

SUMMARY GENERAL FUND EXPENDITURES – BUDGETARY BASIS

Amounts in Millions in USD					
<u>Obligations</u>	<u>FY2021</u>	<u>Percent of Total</u>	<u>FY2020</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Personal Services	1,811.4	38.4%	1,874.2	(62.8)	-3.4%
Pension Contributions	668.6	14.2%	759.5	(90.9)	-12.0%
Other Employee Benefits	606.5	12.9%	603.9	2.6	0.4%
Purchase of Services	941.4	20.0%	1,016.8	(75.4)	-7.4%
Materials and Supplies	60.9	1.3%	81.6	(20.7)	-25.4%
Equipment	30.0	0.6%	44.1	(14.1)	-32.0%
Contributions, Indemnities and Taxes	368.0	7.8%	342.5	25.5	7.4%
Debt Service	178.5	3.8%	159.2	19.3	12.1%
Payments to Other Funds	52.3	1.1%	154.8	(102.5)	-66.2%
<u>Total</u>	4,717.6	100.0%	5,036.6	(319.0)	-6.3%

A more detailed comparison of budgetary basis revenue and expenditures can be found in Exhibit 16.

SPECIAL REVENUE FUNDS

Special Revenue Funds consist of the County Liquid Fuels Tax Fund, the Special Gasoline Tax Fund, the HealthChoices Behavioral Health Fund, the Hotel Room Rental Tax Fund, the Grants Revenue Fund, the Community Development Fund, the Car Rental Tax Fund, the Housing Trust Fund, the Acute Care Hospital Assessment Fund, the Riverview Residents Fund, the Philadelphia Prisons Fund, the Arbitration Appeals Fund, the Departmental Fund, the Philadelphia Municipal Authority Administrative Fund and the PICA Administrative Fund.

The following schedules present a summary of the Special Revenue Funds' revenues and expenditures for the fiscal year using the modified accrual basis. Please note that a narrative overview and analysis of these results will be included in the Management's Discussion and Analysis section of the City's ACFR.

SUMMARY SPECIAL REVENUE FUND REVENUES – MODIFIED ACCRUAL BASIS

Amounts in Millions of USD					
<u>Revenues</u>	<u>FY2021</u>	<u>Percent of Total</u>	<u>FY2020</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Tax Revenue	750.5	21.8%	777.8	(27.3)	-3.5%
Locally Generated Non-Tax Revenue	87.3	2.5%	78.2	9.1	11.6%
Revenue from Other Governments	2,607.1	75.7%	1,942.8	664.3	34.2%
Other Revenue	0.8	0.0%	0.6	0.2	0.0%
<u>Total</u>	<u>3,445.7</u>	<u>100.0%</u>	<u>2,799.4</u>	<u>646.3</u>	<u>23.1%</u>

SUMMARY SPECIAL REVENUE FUND EXPENDITURES – MODIFIED ACCRUAL BASIS

Amounts in Millions in USD					
<u>Expenditures</u>	<u>FY2021</u>	<u>Percent of Total</u>	<u>FY2020</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Economic Development	23.2	0.8%	65.3	(42.1)	-64.5%
Streets & Highways	41.0	1.4%	35.3	5.7	16.1%
Mass Transit	0.6	0.0%	0.3	0.3	-
Police	8.0	0.3%	7.9	0.1	1.3%
Prisons	0.8	0.0%	1.3	(0.5)	-38.5%
Courts	35.2	1.2%	36.2	(1.0)	-2.8%
EMS	3.8	0.1%	9.3	(5.5)	-59.1%
Health Services	1,742.7	61.6%	1,613.3	129.4	8.0%
Housing	103.5	3.7%	105.7	(2.2)	-2.1%
Recreation and Parks	7.9	0.3%	8.6	(0.7)	-8.1%
Libraries and Museums	7.1	0.3%	7.1	-	0.0%
Social Services	544.8	19.3%	564.6	(19.8)	-3.5%
Sanitation	3.7	0.1%	10.6	(6.9)	-65.1%
Fire	3.6	0.1%	6.7	(3.1)	0.0%
General Management	302.8	10.7%	77.2	225.6	292.2%
<u>Total</u>	<u>2,828.7</u>	<u>100.0%</u>	<u>2,549.4</u>	<u>279.3</u>	<u>11.0%</u>

ENTERPRISE OPERATIONS

The City's Enterprise Operations are comprised of three separate and distinct activities and are accounted for in the following funds: Water Fund, Aviation Fund and Industrial and Commercial Development Fund. The Water Fund provides water, sewer and storm water services on a user charge basis. The Aviation Fund covers airport operations under a long-term lease agreement with the individual user airlines that became effective July 1, 2015. The Industrial and Commercial Development Fund accounts for acquisition and disposition of land for industrial and commercial purposes. The following summary reflects preliminary revenues, expenses and results of operations for the individual Enterprise Funds:

SUMMARY ENTERPRISE FUNDS –FULL ACCRUAL (PRELIMINARY)

Amounts in Millions of USD				
	Water Fund	Aviation Fund	Industrial & Commercial Development Fund	Totals
Operating Revenues	718.6	256.0	5.5	980.1
Operating Expenses	558.0	215.4	5.9	779.3
Operating Income (Loss)	160.6	40.6	(0.4)	200.8
Non-Operating Revenues(Expenses)	(96.8)	80.5	-	(16.3)
Transfers (To) From Other Funds	(37.2)	-	-	(37.2)
Capital Contributions	7.5	22.1	3.1	32.7
Change in Net Position	34.1	143.2	2.7	180.0
Net Position-July 1, 2020	826.8	1,017.7	82.5	1,927.0
Adjustment	-	-	-	0.0
Net Position Adjusted - July 1, 2020	826.8	1,017.7	82.5	1,927.0
Net Position-June 30, 2021	860.9	1,160.9	85.2	2,107.0

BUDGETARY CONTROL AND BUDGET COMPARISON SCHEDULES

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.

During the year, classification adjustments and supplementary appropriations were necessary for City funds. Therefore, budgeted appropriation amounts in the Budgetary Comparison Schedules are presented as follows:

Original Budgeted Amount - as originally passed by City Council.

Final Budget Amount - as originally passed and as amended by the City Council.

CASH & INVESTMENT MANAGEMENT – PHILADELPHIA CITY TREASURER

Cash temporarily idle during the year is invested mainly in U.S. Treasury and agency obligations, certificates of deposit, commercial paper, highly rated corporate bonds, money market mutual funds, and repurchase agreements. The goals of the City's cash management are preservation of principal, maintenance of liquidity and maximization of return. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City, its agent, the Federal Reserve Bank, or a financial institution's trust department in the City's name.

CASH & INVESTMENT MANAGEMENT – PHILADELPHIA MUNICIPAL PENSION FUND

The Pension Trust Fund's investment portfolio is based on an asset allocation developed in conjunction with an outside consultant and includes cash, stocks, corporate and government bonds and other items.

RISK MANAGEMENT

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

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The Charter mandates that the City maintain an actuarially sound pension and retirement system. To satisfy that mandate, the City's Board of Pensions and Retirement maintains a single-employer Municipal Pension Plan (the Plan). The Plan covers all officers and employees of the City and officers and employees of three other governmental and quasi-governmental organizations. By authority of Ordinances and related amendments passed by City Council, the Plan provides retirement benefits as well as death and disability benefits. Benefits vary by the class of employee. The plan has two major classes of members - those covered under the 1967 Plan and those covered under the 1987 Plan. Both of these plans have multiple divisions and are defined benefit plans. There are two more recent plans, Plan 10 and Plan 16, that feature both a defined benefit component and a defined contribution component.

DEBT ADMINISTRATION

At fiscal year end, the City's (excluding component units) bond ratings were 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

Under current state statutes, the City's general obligation bonded debt issuances are subject to a legal limitation. At June 30, 2021, the City's (excluding component units) net general obligation authorized debt of \$2,284.6 million was \$10,323.4 million below the legal limit of \$12,608.0 million.

ACKNOWLEDGEMENTS

The preparation of the 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

June 30, 2021

Amounts in thousands of USD														
Special Revenue														
	County Liquid Fuels Tax	Special Gasoline Tax	Health Choices Behavioral Health	Hotel Room Rental Tax	Grants Revenue	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative
Assets														
Cash on Deposit and on Hand	-	-	-	-	125	-	-	-	-	-	-	-	7,785	330
Equity in Treasurer's Account	10,649	52,930	120,852	5,199	1,010,833	299	7,785	84,291	24,204	30	5,258	-	4,071	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	1,049	-
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from Component Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	4,535	-	-	643	-	17,901	-	-	-	-	-
Accounts Receivable	-	-	-	-	1,221	2,502	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	303,884	-	450,609	11,666	-	-	-	-	-	-	-	-
Allowance for Doubtful Accounts	-	-	(547)	-	-	-	(38)	-	(16,111)	-	-	-	-	-
Interest and Dividends Receivable	-	-	201	-	-	-	11	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	96	545
Total Assets	10,649	52,930	424,937	9,187	1,462,788	14,467	8,401	84,291	25,994	30	5,258	-	13,069	7,044
Liabilities and Fund Balances														
Liabilities:														
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vouchers Payable	64,406	1,571	279	-	38,152	1,957	-	97	691	-	96	-	84	-
Accounts Payable	90,610	1,800	1,219	3,281	182,814	9,910	-	2,082	199	-	-	-	157	7,094
Salaries and Wages Payable	104,951	-	2	-	8,252	257	-	-	-	-	-	-	-	-
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	56,157	-	-	-	831	-	-	-	-	-	-	-	15	-
Due to Primary Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Component Units	1,950	-	52,984	-	-	2,648	-	3,081	-	-	-	-	-	-
Funds Held in Escrow	14,663	-	-	-	-	8	-	-	-	-	447	-	1,207	-
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	5,829	-	-	-	1,076,659	-	-	-	-	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overpayment of Taxes	282,453	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	468	3,371	54,484	3,281	1,306,708	14,780	-	5,260	890	-	543	-	1,463	7,094
Deferred Inflows of Resources														
	-	-	-	147	446,718	9,654	4	-	1,790	-	-	-	-	-
Fund Balances:														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	114,416	49,559	370,453	5,759	68,220	-	8,397	79,031	23,314	-	-	-	10,097	-
Committed	-	-	-	-	-	-	-	-	-	30	4,715	-	1,509	-
Assigned	442,693	-	-	-	(358,858)	(9,967)	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	(50)
Total Fund Balances	557,109	49,559	370,453	5,759	(290,638)	(9,967)	8,397	79,031	23,314	30	4,715	-	11,606	(50)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,597,781	52,930	424,937	9,187	1,462,788	14,467	8,401	84,291	25,994	30	5,258	-	13,069	7,044

City of Philadelphia
Balance Sheet
Governmental Funds(Continued)
June 30, 2021

Exhibit 1

	Amounts in thousands of USD									
	Debt Service			Capital Improvement			Permanent			Total Governmental Funds
	PICA Administrative	Total Special Revenue	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	
Assets										
Cash on Deposit and on Hand	6,025	14,265	-	-	5,219	5,219	-	-	-	32,226
Equity in Treasurer's Account	-	1,326,401	106	-	-	106	144,373	-	144,373	2,500,228
Investments	14,796	15,845	-	48	7,646	7,694	-	17,782	17,782	48,567
Due from Other Funds	-	6,237	-	-	-	-	-	-	-	13,788
Due from Component Units	-	-	-	-	-	-	-	-	-	46,206
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	114,415
Notes Receivable	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	7,551	30,630	-	-	-	-	-	-	-	595,175
Accounts Receivable	-	3,723	-	-	-	-	-	-	-	396,569
Due from Other Governmental Units	-	766,159	-	-	-	-	88,815	-	88,815	875,391
Allowance for Doubtful Accounts	-	(16,696)	-	-	-	-	-	-	-	(609,736)
Interest and Dividends Receivable	-	212	-	-	-	-	-	-	-	3,290
Inventories	-	-	-	-	-	-	-	-	-	-
Other Assets	14	655	-	-	-	-	-	-	-	655
Total Assets	28,386	2,147,431	106	48	12,865	13,019	233,188	17,782	250,970	4,016,774
Liabilities and Fund Balances										
Liabilities:										
Notes Payable	-	43,229	-	-	-	-	-	-	-	-
Vouchers Payable	-	208,593	-	-	-	-	9,743	-	9,743	117,378
Accounts Payable	70	8,710	-	-	-	-	29,692	-	29,692	328,896
Salaries and Wages Payable	-	151	-	-	-	-	-	-	-	113,661
Payroll Taxes Payable	151	-	-	-	-	-	-	-	-	151
Accrued Expenses	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	7,551	8,397	-	-	-	-	-	-	-	64,607
Due to Primary Government	-	-	-	-	-	-	-	-	-	-
Due to Component Units	-	58,713	-	-	-	-	6,210	-	6,210	66,873
Funds Held in Escrow	-	1,662	-	-	-	-	2,969	-	2,969	19,294
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	3,348
Unearned Revenue	-	1,076,659	-	-	-	-	10,536	-	10,536	1,093,024
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-	282,453
Other Liabilities	-	-	-	-	-	-	-	-	-	-
Total Liabilities	7,772	1,406,114	-	-	-	-	59,150	-	59,150	2,089,685
Deferred Inflows of Resources										
	-	458,313	-	-	-	-	79,100	-	79,100	953,718
Fund Balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	3,827
Restricted	20,614	645,625	106	48	12,865	13,019	94,938	17,782	112,720	889,340
Committed	-	6,254	-	-	-	-	-	-	-	6,386
Assigned	-	-	-	-	-	-	-	-	-	442,693
Unassigned	-	(368,875)	-	-	-	-	-	-	-	(368,875)
Total Fund Balances	20,614	283,004	106	48	12,865	13,019	94,938	17,782	112,720	973,371
Total Liabilities and Fund Balances	28,386	2,147,431	106	48	12,865	13,019	233,188	17,782	250,970	4,016,774

**City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021**

Exhibit 2

Amounts in thousands of USD

	General	County Liquid Fuels Tax	Special Gasoline Tax	Health Choices Behavioral Health	Hotel Room Rental Tax	Grants Revenue	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative
Revenues															
Tax Revenue	3,422,937	-	-	-	24,892	-	-	4,860	-	190,334	-	2,676	26	-	-
Locally Generated Non-Tax Revenue	345,535	13	88	754	1	64,110	2,645	8	15,742	-	-	-	-	1,007	73
Revenue from Other Governments	257,722	3,738	34,032	1,215,730	-	1,288,208	65,405	-	-	-	-	-	-	-	-
Other Revenues	61,789	-	-	-	-	-	-	-	-	-	-	-	-	621	-
Total Revenues	4,087,983	3,751	34,120	1,216,484	24,893	1,352,318	68,050	4,868	15,742	190,334	-	2,676	26	1,628	73
Expenditures															
Current Operating:															
Economic Development	34,832	-	-	-	21,986	1,246	-	-	-	-	-	-	-	-	-
Transportation:															
Streets & Highways	91,389	5,656	32,071	-	-	3,237	-	-	-	-	-	-	-	-	-
Mass Transit	84,608	-	-	-	-	565	-	-	-	-	-	-	-	-	-
Judiciary and Law Enforcement:															
Police	1,215,075	-	-	-	-	8,028	-	-	-	-	-	-	-	-	-
Prisons	297,847	-	-	-	-	-	-	-	-	-	-	799	-	-	-
Courts	313,238	-	-	-	-	35,193	-	-	-	-	-	-	-	-	-
Conservation of Health:															
Emergency Medical Services	75,298	-	-	-	-	3,775	-	-	-	185,267	-	-	-	-	-
Health Services	203,140	-	-	1,137,103	-	420,329	-	-	-	-	-	-	-	-	-
Housing and Neighborhood Development	20,208	-	-	-	-	18,607	61,825	-	23,024	-	-	-	-	-	-
Cultural and Recreational:															
Recreation	107,992	-	-	-	-	6,212	-	-	-	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	14	-	-	-	-	-	-	-	1,683	-
Libraries and Museums	90,683	-	-	-	-	6,975	-	-	-	-	-	-	-	102	-
Improvements to General Welfare:															
Social Services	174,304	-	-	-	-	544,768	-	-	-	-	-	-	-	-	-
Education	294,195	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inspections and Demolitions	54,706	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service to Property:															
Sanitation	155,951	-	3,059	-	-	604	-	-	-	-	-	-	-	-	-
Fire	459,534	-	-	-	-	3,641	-	-	-	-	-	-	-	-	-
General Management and Support	745,612	-	500	-	-	243,408	2	7,000	-	-	-	501	26	63	50,239
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:															
Principal	5,516	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	79,036	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	1,603	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,504,767	5,656	35,630	1,137,103	21,986	1,296,602	61,827	7,000	23,024	185,267	-	1,300	26	1,848	50,239
Excess (Deficiency) of Revenues Over (Under) Expenditures	(416,784)	(1,905)	(1,510)	79,381	2,707	55,716	6,223	(2,132)	(7,282)	5,067	-	1,376	-	(220)	(50,166)
Other Financing Sources (Uses)															
Issuance of Debt	136,990	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess Pension Contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments to Refunded Bonds Escrow Agent	(59,534)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	570,600	-	-	-	-	-	-	-	20,000	-	-	-	-	118	50,302
Transfers Out	(219,692)	-	-	-	-	(65,545)	-	-	-	(4,500)	-	-	-	-	-
Special Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	428,364	-	-	-	-	(65,545)	-	-	20,000	(4,500)	-	-	-	118	50,302
Net Change in Fund Balances	11,580	(1,905)	(1,510)	79,381	2,707	(9,829)	6,223	(2,132)	12,718	567	-	1,376	-	(102)	136
Fund Balance - July 1, 2020	545,529	12,086	51,069	291,072	3,052	(280,809)	(16,190)	10,529	66,313	22,747	30	3,339	-	11,708	(186)
Fund Balance Adjusted - July 1, 2020	545,529	12,086	51,069	291,072	3,052	(280,809)	(16,190)	10,529	66,313	22,747	30	3,339	-	11,708	(186)
Fund Balance - June 30, 2021	557,109	10,181	49,559	370,453	5,759	(290,638)	(9,967)	8,397	79,031	23,314	30	4,715	-	11,606	(50)

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds(Continued)
For the Fiscal Year Ended June 30, 2021

Exhibit 2

	Amounts in thousands of USD									
	Debt Service					Capital Improvement			Permanent	
	PICA Administrative	Special Revenue	City	Municipal Authority	PICA	Total	City	Municipal Authority	Libraries & Parks	Total Governmental Funds
Revenues										
Tax Revenue	530,661	750,547	-	-	-	-	-	-	-	4,173,484
Locally Generated Non-Tax Revenue	136	87,279	-	-	25	25	975	27	606	434,447
Revenue from Other Governments	-	2,607,113	-	-	-	-	39,432	-	-	2,904,267
Other Revenues	175	796	-	-	586	586	-	-	-	63,171
Total Revenues	530,972	3,445,735	-	-	611	611	40,407	27	606	7,575,369
Expenditures										
Current Operating:										
Economic Development	-	23,232	-	-	-	-	-	-	-	58,064
Transportation:										
Streets & Highways	-	40,964	-	-	-	-	-	-	-	132,353
Mass Transit	-	565	-	-	-	-	-	-	-	85,173
Judiciary and Law Enforcement:										
Police	-	8,028	-	-	-	-	-	-	-	1,223,103
Prisons	-	799	-	-	-	-	-	-	-	298,646
Courts	-	35,193	-	-	-	-	-	-	-	348,431
Conservation of Health:										
Emergency Medical Services	-	3,775	-	-	-	-	-	-	-	79,073
Health Services	-	1,742,699	-	-	-	-	-	-	-	1,945,839
Housing and Neighborhood Development:										
Development	-	103,456	-	-	-	-	-	-	-	123,664
Cultural and Recreational:										
Recreation	-	6,212	-	-	-	-	-	-	-	114,204
Parks & Recreation	-	1,697	-	-	-	-	-	-	-	1,697
Libraries and Museums	-	7,077	-	-	-	-	-	-	5	97,765
Improvements to General Welfare:										
Social Services	-	544,768	-	-	-	-	-	-	-	719,072
Education	-	-	-	-	-	-	-	-	-	294,195
Inspections and Demolitions	-	-	-	-	-	-	-	-	-	54,706
Service to Property:										
Sanitation	-	3,663	-	-	-	-	-	-	-	159,614
Fire	-	3,641	-	-	-	-	-	-	-	463,175
General Management and Support	1,038	302,777	-	-	8	8	213,134	-	-	1,048,397
Capital Outlay	-	-	-	-	-	-	-	-	-	213,134
Debt Service:										
Principal	-	-	88,110	5,145	22,120	115,375	-	-	-	120,891
Interest	-	-	79,318	6,786	2,804	88,908	-	-	-	167,944
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	1,603
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,038	2,828,546	167,428	11,931	24,932	204,291	213,134	-	5	7,750,743
Excess (Deficiency) of Revenues Over (Under) Expenditures	529,934	617,189	(167,428)	(11,931)	(24,321)	(203,680)	(172,727)	27	601	(175,374)
Other Financing Sources (Uses)										
Issuance of Debt	-	-	-	-	-	-	-	-	-	136,990
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-
Bond Issuance Discount	-	-	-	-	-	-	-	-	-	-
Excess Pension Contribution	374	374	-	-	-	-	-	-	-	374
Payments to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	-	(59,534)
Transfers In	-	70,420	167,351	11,931	21,382	200,664	10,260	-	-	851,944
Transfers Out	(533,797)	(603,842)	-	-	-	-	-	(3,370)	(118)	(827,022)
Special Items	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(533,423)	(533,048)	167,351	11,931	21,382	200,664	10,260	(3,370)	(118)	102,752
Net Change in Fund Balances	(3,489)	84,141	(77)	-	(2,939)	(3,016)	(162,467)	(3,343)	483	(72,622)
Fund Balance - July 1, 2020	24,103	198,863	183	48	15,804	16,035	257,405	21,125	7,036	1,045,993
Adjustment	-	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2020	24,103	198,863	183	48	15,804	16,035	257,405	21,125	7,036	1,045,993
Fund Balance - June 30, 2021	20,614	283,004	106	48	12,865	13,019	94,938	17,782	7,519	973,371

City of Philadelphia
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

Exhibit 3

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Total
Assets				
Current Assets:				
Cash on Deposit and on Hand	30		-	30
Equity in Treasurer's Account	170,589	305,775	10,245	486,609
Due from Other Governments	-	938	25,627	26,565
Accounts Receivable	163,727	20,054	-	183,781
Allowance for Doubtful Accounts	(14,833)	(19)	-	(14,852)
Inventories	20,086	5,511	49,234	74,831
Other Assets	828	-	-	828
Total Current Assets	340,427	332,259	85,106	757,792
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	572,247	479,942	-	1,052,189
Amounts Held by Fiscal Agent	206,024	-	-	206,024
Sinking Funds and Reserves	-	130,913	-	130,913
Grants for Capital Purposes	-	12,343	-	12,343
Receivables	643	4,472	-	5,115
Total Restricted Assets	778,914	627,670	-	1,406,584
Capital Assets:				
Land	5,969	230,643	-	236,612
Infrastructure	2,808,630	1,293,702	-	4,102,332
Construction in Progress	754,551	406,197	-	1,160,748
Buildings and Equipment	1,962,486	2,517,080	-	4,479,566
Less: Accumulated Depreciation	(2,601,390)	(2,162,364)	-	(4,763,754)
Total Capital Assets, Net	2,930,246	2,285,258	-	5,215,504
Total Non-Current Assets	3,709,160	2,912,928	-	6,622,088
Total Assets	4,049,587	3,245,187	85,106	7,379,880
Deferred Outflows of Resources	96,313	26,982	-	123,295
Liabilities				
Current Liabilities:				
Vouchers Payable	8,569	6,233	-	14,802
Accounts Payable	11,591	-	-	11,591
Salaries and Wages Payable	5,216	3,995	-	9,211
Construction Contracts Payable	57,224	8,888	-	66,112
Due to Other Funds	2,983	-	-	2,983
Due to Component Units	2,882	1,046	-	3,928
Accrued Expenses	26,554	20,367	-	46,921
Funds Held in Escrow	1,637	-	-	1,637
Unearned Revenue	13,528	74,346	-	87,874
Commercial Paper Notes	-	78,443	-	78,443
Bonds Payable-Current	89,042	62,085	-	151,127
Other Current Liabilities	2,364	2,505	-	4,869
Total Current Liabilities	221,590	257,908	-	479,498
Derivative Instrument Liability	-	5,240	-	5,240
Net OPEB Liability	145,279	68,481	-	213,760
Net Pension Liability	440,944	216,185	-	657,129
Non-Current Liabilities:				
Bonds Payable, net of Unamortized Premiums/Discounts	2,411,856	1,530,947	-	3,942,803
Other Non-Current Liabilities	46,893	22,785	-	69,678
Total Non-Current Liabilities	2,458,749	1,553,732	-	4,012,481
Total Liabilities	3,266,562	2,101,546	-	5,368,108
Deferred Inflows of Resources	18,390	9,797	-	28,187
Net Position				
Net Investment in Capital Assets	643,950	836,970	-	1,480,920
Restricted For:				
Capital Projects	209,210	97,243	-	306,453
Debt Service	193,375	187,092	-	380,467
Rate Stabilization	125,117	-	-	125,117
Unrestricted	(310,704)	39,521	85,106	(186,077)
Total Net Position	860,948	1,160,826	85,106	2,106,880

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

City of Philadelphia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

Exhibit 4

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
Operating Revenues:				
Charges for Goods and Services	703,048	77,370	-	780,418
Rentals and Concessions	-	170,275	-	170,275
Operating Grants	2,748	-	-	2,748
Miscellaneous Operating Revenues	12,776	8,318	5,475	26,569
Total Operating Revenues	718,572	255,963	5,475	980,010
Operating Expenses:				
Personal Services	151,535	72,418	-	223,953
Purchase of Services	95,940	71,993	-	167,933
Materials and Supplies	35,249	7,000	-	42,249
Employee Benefits	147,773	58,663	-	206,436
Indemnities and Taxes	3,038	5,363	-	8,401
Depreciation	124,457	-	-	124,457
Cost of Goods Sold	-	-	5,892	5,892
Total Operating Expenses	557,992	215,437	5,892	779,321
Operating Income (Loss)	160,580	40,526	(417)	200,689
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	-	65,093	-	65,093
Passenger and Customer Facility Charges	-	34,494	-	34,494
Interest Income	1,095	1,591	9	2,695
Debt Service - Interest	(75,613)	(20,943)	-	(96,556)
Other Revenue (Expenses)	(22,235)	268	-	(21,967)
Total Non-Operating Revenues (Expenses)	(96,753)	80,503	9	(16,241)
Income (Loss) Before Contributions & Transfers	63,827	121,029	(408)	184,448
Transfers In/(Out)	(37,160)	-	-	(37,160)
Capital Contributions	7,518	22,073	3,063	32,654
Change in Net Position	34,185	143,102	2,655	179,942
Net Position - July 1, 2020	826,763	1,017,724	82,451	1,926,938
Adjustment	-	-	-	-
Net Position Adjusted - July 1, 2020	826,763	1,017,724	82,451	1,926,938
Net Position - June 30, 2021	860,948	1,160,826	85,106	2,106,880

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

City of Philadelphia
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2021

Exhibit 5

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Assets</u>			
Cash on Deposit and on Hand	23,797	-	23,797
Equity in Treasurer's Account	654,616	7,270,337	7,924,953
Securities Lending Collective Investment Pool	28,060	181,951	210,011
Allowance for Unrealized Loss	-	1	1
Accounts Receivable	-	5,457	5,457
Due from Brokers for Securities Sold	6,221	188,482	194,703
Interest and Dividends Receivable	1,442	-	1,442
Due from Other Governmental Units	-	6,528	6,528
Due from Other Funds	-	55,755	55,755
	<hr/>	<hr/>	<hr/>
Total Assets	714,136	7,708,511	8,422,647
	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>			
Vouchers Payable	-	52	52
Accounts Payable	52	-	52
Salaries and Wages Payable	-	193	193
Due on Return of Securities Loaned	28,060	181,952	210,012
Due to Brokers for Securities Purchased	12,346	178,308	190,654
Accrued Expenses	-	3,606	3,606
Other Liabilities	136	261	397
	<hr/>	<hr/>	<hr/>
Total Liabilities	40,594	364,372	404,966
	<hr/>	<hr/>	<hr/>
Net Position Restricted for Pensions	<u>673,542</u>	<u>7,344,139</u>	<u>8,017,681</u>

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2021

Exhibit 6

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Additions</u>			
Contributions:			
Employer's Contributions	29,728	788,483	818,211
Employees' Contributions	1,607	111,273	112,880
Total Contributions	31,335	899,756	931,091
Investment Income:			
Interest and Dividends	13,449	127,658	141,107
Net Gain in Fair Value of Investments	143,792	1,440,385	1,584,177
(Less) Investments Expenses	(1,482)	(7,220)	(8,702)
Other investment income	71		71
Securities Lending Revenue	11	1,246	1,257
(Less) Securities Lending Expenses	(1)	(186)	(187)
Net Investment Gain	155,840	1,561,883	1,717,723
Miscellaneous Operating Revenues	-	213	213
Total Additions	187,175	2,461,852	2,649,027
<u>Deductions</u>			
Personal Services	-	3,963	3,963
Purchase of Services	-	1,432	1,432
Materials and Supplies	-	37	37
Employee Benefits	-	4,191	4,191
Pension Benefits	56,646	883,604	940,250
Refunds of Members' Contributions	-	7,291	7,291
Administrative Expenses Paid	217	-	217
Other Operating Expenses		86	86
Total Deductions	56,863	900,604	957,467
Change in Net Position	130,312	1,561,248	1,691,560
Net Position - July 1, 2020	543,230	5,782,891	6,326,121
Net Position - June 30, 2021	673,542	7,344,139	8,017,681

City of Philadelphia
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2021

Exhibit 7

Amounts in thousands of USD

	<u>Escrow Fund</u>	<u>Employee Health & Welfare Fund</u>	<u>Departmental Custodial Accounts</u>	<u>Total</u>
<u>Assets</u>				
Cash on Deposit and on Hand	-	-	165,995	165,995
Equity in Treasurer's Account	6,587	37,956	-	44,543
Investments	-	-	2,470	2,470
Due from Other Funds	-	-	699	699
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	6,587	37,956	169,164	213,707
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>				
Vouchers Payable	135	29	-	164
Payroll Taxes Payable	-	25,070	-	25,070
Funds Held in Escrow	6,452	12,857	169,164	188,473
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	6,587	37,956	169,164	213,707
	<hr/>	<hr/>	<hr/>	<hr/>
Net Position	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

City of Philadelphia
Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2021

Exhibit 8

Amounts in thousands of USD

	Balance 7-1-2020	Additions	Deductions	Balance 6-30-2021
<u>Escrow Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	32,519	512,476	538,408	6,587
<u>Liabilities</u>				
Funds Held in Escrow	32,470	524,614	550,632	6,452
Vouchers Payable	49	14,045	13,959	135
Total Liabilities	32,519	538,659	564,591	6,587
<u>Employee Health and Welfare Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	35,590	1,016,853	1,014,487	37,956
<u>Liabilities</u>				
Vouchers Payable	29	7,735	7,735	29
Payroll Taxes Payable	23,207	1,005,508	1,003,645	25,070
Funds Held in Escrow	12,354	82,683	82,180	12,857
Total Liabilities	35,590	1,095,926	1,093,560	37,956
<u>Departmental Custodial Accounts</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	147,606	253,009	234,620	165,995
Investments	2,470	-	-	2,470
Due from Other Funds	699	-	-	699
Total Assets	150,775	253,009	234,620	169,164
<u>Liabilities</u>				
Funds Held in Escrow	150,775	253,009	234,620	169,164
<u>Totals - Agency Funds</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	147,606	253,009	234,620	165,995
Equity in Treasurer's Account	68,109	1,529,329	1,552,895	44,543
Investments	2,470	-	-	2,470
Due from Other Funds	699	-	-	699
Total Assets	218,884	1,782,338	1,787,515	213,707
<u>Liabilities</u>				
Vouchers Payable	78	21,780	21,694	164
Payroll Taxes Payable	23,207	1,005,508	1,003,645	25,070
Funds Held in Escrow	195,599	860,306	867,432	188,473
Total Liabilities	218,884	1,887,594	1,892,771	213,707

City of Philadelphia
Statement of Long-Term Debt
June 30, 2021

Exhibit 9

Amounts in millions of USD

Amount Available and to be Provided for Retirement
of Long-Term Debt - Principal

Bond Principal:

Amount Available in Sinking Funds and Sinking Fund Reserve for Revenue

Bonds 320.1

Amount of Principal to be Provided in Future Years 5,044.9

Total Bond Principal Available and to be Provided 5,365.0

Other Long-Term Obligations:

Amount of Principal to be Provided in Future Years 10,948.5

Total Available and to be Provided in Future Years 16,313.5

Bonds Payable in Future Years:

General Obligation Serial Bonds Payable 653.6

General Obligation Term Bonds Payable 28.6

General Obligation Refunding Bonds Payable 953.6

Total General Obligation Bonds Payable 1,635.8

Revenue Serial Bonds Payable 2,170.6

Revenue Term Bonds Payable 1,558.6

Total Revenue Bonds Payable 3,729.2

Total Bonds Payable 5,365.0

Other Long-Term Obligations Payable 10,948.5

Total Long-Term Debt 16,313.5

City of Philadelphia
Analysis of Changes In Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2021

Exhibit 10

Amounts in millions of USD

	Governmental Fund Types				Enterprise Funds			All Funds Total
	General Fund	Municipal Authority Fund	PICA	Total	Water Fund	Aviation Fund	Total	
Bonded Debt Outstanding, July 1, 2020	1,723.9	148.1	56.1	1,928.1	2,149.5	1,469.8	3,619.3	5,547.4
Increases:								
Par Value of Bonds Issued:								
General Obligation	-	-	-	-	-	-	-	-
Revenue	-	-	-	-	793.0	389.2	1,182.2	1,182.2
<u>Total Bonds Sold</u>	-	-	-	-	793.0	389.2	1,182.2	1,182.2
Decreases:								
Matured Bonds:								
General Obligation	88.1	5.1	22.1	115.3	-	-	-	115.3
General Obligation Refunded	-	-	-	-	-	-	-	-
Revenue	-	-	-	-	87.9	44.7	132.6	132.6
Revenue Refunded	-	-	-	-	574.9	364.9	939.8	939.8
<u>Total Decrease</u>	88.1	5.1	22.1	115.3	662.8	409.6	1,072.4	1,187.7
Net Change:								
General Obligation	(88.1)	(5.1)	(22.1)	(115.3)	-	-	-	(115.3)
Revenue	-	-	-	-	130.2	(20.4)	109.8	109.8
<u>Total Change</u>	(88.1)	(5.1)	(22.1)	(115.3)	130.2	(20.4)	109.8	(5.5)
Bonded Debt Outstanding, June 30, 2021	1,635.8	143.0	34.0	1,812.8	2,279.7	1,449.4	3,729.1	5,541.9

City of Philadelphia
Analysis of Changes in Other Long-Term Debt
For the Fiscal Year Ended June 30, 2021

Exhibit 11

Amounts in thousands of USD

	General Fund	Water Fund	Aviation Fund	Other Funds	Total All Funds
<u>Balance Outstanding, July 1, 2020</u>					
Worker's Compensation	241,151	21,436	5,359	-	267,946
Termination Compensation	574,325	21,384	18,241	411	614,361
Medical and Indemnity Claims	118,681	4,179	1,009	-	123,869
Net Pension Liability	5,438,757	440,944	216,184	-	6,095,885
OPEB	1,722,376	145,279	68,481	-	1,936,136
Leases	238,969	-	-	-	238,969
Pension Service Agreement Series 1999	686,961	-	-	-	686,961
Pension Refunding Service Agreement	299,805	-	-	-	299,805
Neighborhood Transformation	185,150	-	-	-	185,150
Sports Stadium	215,270	-	-	-	215,270
Central Library Project	3,670	-	-	-	3,670
Cultural Corridor Bonds	76,115	-	-	-	76,115
One Parkway	22,225	-	-	-	22,225
Philadelphia Municipal Authority	148,105	-	-	-	148,105
PICA	56,075	-	-	-	56,075
Philadelphia Affordable Housing Project	49,325	-	-	-	49,325
Philadelphia Museum of Arts	9,580	-	-	-	9,580
Rebuild Project	76,635	-	-	-	76,635
	<u>10,163,175</u>	<u>633,222</u>	<u>309,274</u>	<u>411</u>	<u>11,106,082</u>
<u>Increases:</u>					
Pension Service Agreement Series 1999	-	-	-	-	-
Sports Stadium	-	-	-	-	-
PICA	-	-	-	-	-
Philadelphia Museum of Arts	-	-	-	-	-
Rebuild Project	-	-	-	-	-
<u>Total Increases</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Decreases:</u>					
Pension Service Agreement Series 1999	66,467	-	-	-	66,467
Pension Refunding Service Agreement	23,180	-	-	-	23,180
Neighborhood Transformation	12,160	-	-	-	12,160
Sports Stadiums	15,150	-	-	-	15,150
Central Library Project	680	-	-	-	680
Cultural Corridor Bonds	4,745	-	-	-	4,745
One Parkway	2,730	-	-	-	2,730
Philadelphia Municipal Authority	5,145	-	-	-	5,145
PICA	22,120	-	-	-	22,120
Philadelphia Affordable Housing Project	1,895	-	-	-	1,895
Philadelphia Museum of Arts	340	-	-	-	340
Rebuild Project	2,965	-	-	-	2,965
<u>Total Decreases</u>	<u>157,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,377</u>
<u>Balance Outstanding, June 30, 2021</u>					
Worker's Compensation	241,151	21,436	5,359	-	267,946
Termination Compensation	574,325	21,384	18,241	411	614,361
Indemnity Claims	118,681	4,179	1,009	-	123,869
Net Pension Liability	5,438,757	440,944	216,184	-	6,095,885
OPEB	1,722,376	145,279	68,481	-	1,936,136
Leases	238,969	-	-	-	238,969
Pension Service Agreement Series 1999	620,494	-	-	-	620,494
Pension Refunding Service Agreement	276,625	-	-	-	276,625
Neighborhood Transformation	172,990	-	-	-	172,990
Sports Stadiums	200,120	-	-	-	200,120
Central Library Project	2,990	-	-	-	2,990
Cultural Corridor Bonds	71,370	-	-	-	71,370
One Parkway	19,495	-	-	-	19,495
Philadelphia Municipal Authority	142,960	-	-	-	142,960
PICA	33,955	-	-	-	33,955
Philadelphia Affordable Housing Project	47,430	-	-	-	47,430
Philadelphia Museum of Arts	9,240	-	-	-	9,240
Rebuild Project	73,670	-	-	-	73,670
	<u>10,005,598</u>	<u>633,222</u>	<u>309,274</u>	<u>411</u>	<u>10,948,505</u>

City of Philadelphia
City Related Schedule of Debt Incurring Capacity
June 30, 2021

Exhibit 12

Amounts in millions of USD

		Authorized		
		Issued and <u>Outstanding</u>	<u>Unissued</u>	<u>Total</u>
General Obligation Bonded Debt:				
Tax Supported		1,635.7	648.8	2,284.6
Self-Sustaining		0.1	352.6	352.7
<u>Total General Obligation Bonded Debt</u>		<u>1,635.8</u>	<u>1,001.4</u>	<u>2,637.2</u>
		Applicable to Self- <u>Sustaining</u>	Net <u>Deductions</u>	
<u>Total</u>				
Deductions Authorized by Law:				
Appropriation for Maturing Serials (Fiscal 2021)	-	-	-	
Total Self-Sustaining Debt			352.7	
Total Net Deductions Authorized by Law				352.7
Total Amount of Debt Applicable to Debt Limit				2,284.6
Legal Debt Limit (Notes 1, 2, 3, 4, 5, and 6)				12,608
Legal Debt Margin				10,323.4

NOTES:

- (1) Refer to Purdon's Statutes 53 P.S. Sections 15721 - 727 - 728 - 761 - 763 and 781.
- (2) This statement does not reflect \$4,815.9 million of Revenue Bonds, which are secured by a pledge of Water and Sewer Revenues of \$2,279.7 million, Airport revenues of \$1,449.4 million, and Gas Works revenues of \$1,086.8 million.
- (3) The legal limit is based on the Pennsylvania Constitution, Article IX, Section 12.
- (4) Calendar Years 2011 - 2012 assessed values were provided by OPA via the Department of Revenue.
- (5) 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.
- (6) Beginning in 2014, the Finance Department began using Calendar Year assessed values to calculate the preceding 10-year average; prior to this change, the Tax Year assessed values were used.

<u>Calendar Year of Assessment</u>	<u>Tax Year of Assessment</u>	<u>R.E. Assessments</u>
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
2020	2021	128,770,069,988
Ten-Year Average:		<u>93,392,524,182</u>
Limit per Article IX:		13.50%
Legal Debt Limit:		12,607,990,765

City of Philadelphia
Statement of Net Position
Component Units
June 30, 2021

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	-	226,007	-	58,416	-	-	18,415	-	302,838
Investments	-	-	-	15,338	-	-	-	-	15,338
Due from Primary Government	-	-	-	-	-	-	88,356	-	88,356
Notes Receivable	-	62,071	-	-	-	-	-	-	62,071
Accounts Receivable-Net	-	18,331	-	70,668	-	-	1,250	-	90,249
Interest and Dividends Receivable	-	7	-	46	-	-	-	-	53
Due from Other Governments	-	158,352	-	-	-	-	-	-	158,352
Inventories	-	753	-	-	-	-	-	-	753
Other Assets	-	8,023	-	13,003	-	-	1,573	-	22,599
Restricted Assets:									
Cash and Cash Equivalents	-	62,996	-	55,453	-	-	-	-	118,449
Other Assets	-	5,194	-	-	-	-	-	-	5,194
Capital Assets:									
Land and Other Non-Depreciated Assets	-	105,641	-	28,907	-	-	-	-	134,548
Other Capital Assets (Net of Depreciation)	-	1,052,445	-	146,342	-	-	7,407	-	1,206,194
Total Capital Assets	-	1,158,086	-	175,249	-	-	7,407	-	1,340,742
Total Assets	-	1,699,820	-	388,173	-	-	117,001	-	2,204,994
Deferred Outflows of Resources	-	6,226	-	43,444	-	-	616	-	50,286
Liabilities									
Accounts Payable	-	12,674	-	25,570	-	-	13,864	-	52,108
Salaries and Wages Payable	-	5,428	-	-	-	-	-	-	5,428
Accrued Expenses	-	10,755	-	275	-	-	29,811	-	40,841
Funds Held in Escrow	-	2,218	-	-	-	-	-	-	2,218
Due to Other Governments	-	401	-	16,249	-	-	-	-	16,650
Due to Primary Government	-	-	-	599	-	-	-	-	599
Unearned Revenue	-	1,564	-	-	-	-	4,294	-	5,858
Other Current Liabilities	-	4,066	-	-	-	-	59,910	-	63,976
Non-Current Liabilities:									
Due within one year	-	45,903	-	15,287	-	-	-	-	61,190
Due in more than one year	-	162,822	-	102,114	-	-	-	-	264,936
Net OPEB Liability	-	1,528	-	15,166	-	-	5,164	-	21,858
Net Pension Liability	-	70,966	-	94,868	-	-	-	-	165,834
Total Liabilities	-	318,325	-	270,128	-	-	113,043	-	701,496
Deferred Inflows of Resources	-	3,228	-	37,361	-	-	1,319	-	41,908
Net Position									
Net Investment in Capital Assets	-	723,379	-	85,296	-	-	7,407	-	816,082
Restricted For:									
Debt Service	-	-	-	3,907	-	-	-	-	3,907
Grant Programs	-	2,470	-	-	-	-	-	-	2,470
Other	-	13,847	-	-	-	-	-	-	13,847
Unrestricted	-	644,797	-	34,925	-	-	(4,152)	-	675,570
Total Net Position	-	1,394,493	-	124,128	-	-	3,255	-	1,511,876

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2021. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2020. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2021.

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

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position									
	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing														
Housing Authority	423,887	55,225	448,517	14,207		94,062								94,062
Redevelopment Authority	423,887	55,225	448,517	14,207										-
Parking														
Parking Authority	171,579	180,687	-	-				9,108						9,108
Education														
School District	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community College	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health														
Community Behavioral Health	1,088,265	-	1,089,286	-							1,021			1,021
Economic Development														
Authority for Ind. Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Component Units	1,683,731	235,912	1,537,803	14,207										104,191
General Revenues:														
Property Taxes														
Other Taxes														
Grants & Contributions Not Restricted to Specific Programs														
Unrestricted Interest & Investment Earnings											159			52,149
Miscellaneous											(5,443)			(5,443)
Special Item-Gain (Loss) on Sale of Capital Assets											10,869			10,869
Transfers											-			-
Total General Revenue														
Change in Net Position														
Net Position - July 1, 2020											159			57,575
Adjustment											1,180			161,766
Net Position Adjusted - July 1, 2020											2,075			1,350,110
Net Position - June 30, 2021											-			-
Net Position - June 30, 2021											2,075			1,350,110
Net Position - June 30, 2021											3,255			1,511,876

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2021. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2020. The Philadelphia Parking Authority and the Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2021.

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

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2021

Exhibit 15

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
<u>Revenues</u>				
Tax Revenue	3,330,098	3,330,098	3,423,857	93,759
Locally Generated Non-Tax Revenue	357,890	357,890	344,190	(13,700)
Revenue from Other Governments	766,197	766,197	836,654	70,457
Revenue from Other Funds	127,608	127,608	87,789	(39,819)
Total Revenues	4,581,793	4,581,793	4,692,490	110,697
<u>Expenditures and Encumbrances</u>				
Personal Services	1,795,159	1,843,870	1,811,422	32,448
Pension Contributions	650,183	685,065	668,612	16,453
Other Employee Benefits	636,976	602,094	606,485	(4,391)
Sub-Total Employee Compensation	3,082,318	3,131,029	3,086,519	44,510
Purchase of Services	948,562	1,021,449	941,423	80,026
Materials and Supplies	68,228	83,604	60,926	22,678
Equipment	49,076	55,472	30,014	25,458
Contributions, Indemnities and Taxes	378,737	382,337	367,987	14,350
Debt Service	185,714	185,714	178,543	7,171
Payments to Other Funds	67,216	63,867	52,342	11,525
Advances, Subsidies, Miscellaneous	25,000	25,000	-	25,000
Total Expenditures and Encumbrances	4,804,851	4,948,472	4,717,754	230,718
Operating Surplus (Deficit) for the Year	(223,058)	(366,679)	(25,264)	341,415
Fund Balance Available for Appropriation, July 1, 2020	254,908	290,673	290,672	(1)
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	24,000	96,702	33,134	(63,568)
Funding for Future Obligations	(4,500)	(4,500)	-	4,500
Adjusted Fund Balance, July 1, 2020	274,408	382,875	323,806	(59,069)
Fund Balance Available for Appropriation, June 30, 2021	51,350	16,196	298,542	282,346

* Refer to the notes to required supplementary information.

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2021 (with comparative actual amounts for the Fiscal Year Ended June 30, 2020)

Exhibit 16

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2021 Actual	Positive (Negative)	FY 2020 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	647,474	647,474	693,933	46,459	671,767	22,166
Prior Years	36,814	36,814	29,388	(7,426)	27,283	2,105
Total Real Property Tax	684,288	684,288	723,321	39,033	699,050	24,271
Wage and Earnings Taxes:						
Current	1,513,699	1,513,699	1,447,729	(65,970)	1,591,884	(144,155)
Prior Years	5,400	5,400	3,016	(2,384)	7,278	(4,262)
Total Wage and Earnings Taxes	1,519,099	1,519,099	1,450,745	(68,354)	1,599,162	(148,417)
Business Taxes:						
Business Income & Receipts Taxes:						
Current	429,321	429,321	487,456	58,135	494,888	(7,432)
Prior Years	35,000	35,000	54,142	19,142	39,351	14,791
Total Business Income & Receipts Taxes	464,321	464,321	541,598	77,277	534,239	7,359
Net Profits Tax:						
Current	25,164	25,164	42,514	17,350	22,539	19,975
Prior Years	4,700	4,700	1,860	(2,840)	6,667	(4,807)
Total Net Profits Tax	29,864	29,864	44,374	14,510	29,206	15,168
Total Business Taxes	494,185	494,185	585,972	91,787	563,445	22,527
Other Taxes:						
Sales Tax	174,508	174,508	230,408	55,900	204,591	25,817
Amusement Tax	16,611	16,611	2,918	(13,693)	18,446	(15,528)
Beverage Tax	67,441	67,441	70,155	2,714	69,921	234
Real Property Transfer Tax	292,816	292,816	303,989	11,173	319,794	(15,805)
Parking Lot Tax	76,719	76,719	53,212	(23,507)	77,266	(24,054)
Smokeless Tobacco	967	967	522	(445)	1,056	(534)
Miscellaneous Taxes	3,464	3,464	2,615	(849)	3,214	(599)
Total Other Taxes	632,526	632,526	663,819	31,293	694,288	(30,469)
Total Taxes	3,330,098	3,330,098	3,423,857	93,759	3,555,945	(132,088)
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	3,482	3,482	2,192	(1,290)	2,637	(445)
Licenses and Permits	70,235	70,235	77,404	7,169	65,020	12,384
Fines, Forfeits, Penalties, Confiscated						
Money and Property	22,115	22,115	16,017	(6,098)	17,684	(1,667)
Interest Income	2,642	2,642	11,241	8,599	18,320	(7,079)
Service Charges and Fees	195,393	195,393	168,612	(26,781)	189,144	(20,532)
Other	64,023	64,023	68,723	4,700	72,308	(3,585)
Total Locally Generated Non-Tax Revenue	357,890	357,890	344,189	(13,701)	365,113	(20,924)
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	22,982	22,982	35,278	12,296	86,127	(50,849)
Commonwealth of Pennsylvania:						
Grants and Other Payments	222,842	222,842	230,882	8,040	214,504	16,378
Other Governmental Units	522,373	522,373	570,494	48,121	557,908	12,586
Total Revenue from Other Governments	768,197	768,197	836,654	68,457	858,539	(21,885)
Revenue from Other Funds	125,608	125,608	87,789	(37,819)	53,995	33,794
Total Revenues	4,581,793	4,581,793	4,692,489	110,696	4,833,592	(141,103)

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2021 (with comparative actual amounts for the Fiscal Year Ended June 30, 2020)

Exhibit 16

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2021 Actual	Positive (Negative)	FY 2020 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	42,283	17,495	17,010	485	17,406	(396)
Mayor's Office:						
Mayor's Office	6,464	6,780	6,409	371	6,137	272
Scholarships	100	271	268	3	201	67
Mural Arts Program	2,125	2,325	2,123	202	2,130	(7)
Labor Relations	2,839	2,849	2,378	471	2,217	161
Chief Administrative Office	6,334	6,334	5,822	512	6,765	(943)
Community Schools & Pre-K	419	419	419	-	43,089	(42,670)
Community Services	45	45	45	-	91	(46)
Inspector General	1,576	1,576	1,369	207	1,497	(128)
Sustainability	1,203	1,279	1,082	197	1,226	(144)
Office of Information Technology	129,360	130,952	90,758	40,194	95,894	(5,136)
Office of Property Assessment	16,101	16,101	15,214	887	14,711	503
Law	15,014	16,414	16,220	194	16,573	(353)
Board of Ethics	975	975	818	157	969	(151)
City Planning Commission	-	-	-	-	-	-
Commission on Human Relations	2,423	2,423	2,285	138	2,333	(48)
Arts & Culture	-	-	-	-	4,375	(4,375)
Board of Revision of Taxes	1,043	1,050	1,050	-	1,106	(56)
Department of Planning & Development	8,535	16,055	14,706	1,349	18,252	(3,546)
Total General Government	236,839	223,343	177,976	45,367	234,972	(56,996)
Operation of Service Departments						
Housing	-	-	-	-	-	-
Managing Director	120,719	178,723	114,084	64,639	155,916	(41,832)
Police	727,008	760,574	759,141	1,433	774,399	(15,258)
Streets	153,022	172,642	170,032	2,610	174,845	(4,813)
Fire	315,056	344,647	344,502	145	330,900	13,602
Public Health	159,353	163,436	156,193	7,243	168,574	(12,381)
Office-Behavioral Health/Mental Retardation	15,477	15,477	15,477	-	15,911	(434)
Parks and Recreation	54,926	56,781	52,623	4,158	64,969	(12,346)
Atwater Kent Museum	-	-	-	-	-	-
Public Property	205,848	207,211	197,866	9,345	209,916	(12,050)
Department of Human Services	163,091	166,593	154,211	12,382	112,544	41,667
Philadelphia Prisons	220,170	222,931	219,173	3,758	243,999	(24,826)
Office of Supportive Housing	44,039	45,049	44,782	267	60,113	(15,331)
Office of Fleet Management	56,601	56,621	55,269	1,352	64,349	(9,080)
Licenses and Inspections	38,252	38,312	37,335	977	38,894	(1,559)
Board of L & I Review	176	176	129	47	137	(8)
Board of Building Standards	82	85	85	-	80	5
Zoning Board of Adjustment	-	-	-	-	-	-
Records	4,004	4,004	3,672	332	4,221	(549)
Philadelphia Historical Commission	-	-	-	-	-	-
Art Museum	2,040	2,040	2,040	-	2,550	(510)
Philadelphia Free Library	39,651	40,117	40,117	-	46,269	(6,152)
Total Operations of Service Departments	2,319,515	2,475,419	2,366,731	108,688	2,468,586	(101,855)
Financial Management						
Office of Director of Finance	38,678	65,963	35,129	30,834	16,950	18,179
Department of Revenue	29,211	29,650	27,834	1,816	30,322	(2,488)
Sinking Fund Commission	282,632	282,632	273,785	8,847	266,354	7,431
Procurement	4,760	7,064	5,856	1,208	5,084	772
City Treasurer	1,584	1,949	1,715	234	1,456	259
Audit of City Operations	9,568	9,825	9,825	-	9,984	(159)
Total Financial Management	366,433	397,083	354,144	42,939	330,150	23,994

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2021 (with comparative actual amounts for the Fiscal Year Ended June 30, 2020)

Exhibit 16

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2021 Actual	Positive (Negative)	FY 2020 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,287,160	1,287,158	1,264,673	22,485	1,371,238	(106,565)
Community College of Philadelphia	44,110	44,110	41,629	2,481	36,059	5,570
Hero Award	25	25	-	25	-	-
Refunds	250	250	14	236	12	2
Indemnities	49,246	31	-	31	-	-
Office of Risk Management	3,196	3,644	3,449	195	3,526	(77)
Witness Fees	172	172	56	116	43	13
Payments to Capital	4,500	4,500	-	4,500	63,000	(63,000)
Payments to Housing Trust	20,000	20,000	20,000	-	18,285	1,715
Payments to Budget Stabilization	-	-	-	-	34,276	(34,276)
Contribution to School District	252,579	252,579	252,579	-	227,106	25,473
Total City-Wide Under Director of Finance	1,661,238	1,612,469	1,582,400	30,069	1,753,545	(171,145)
Promotion and Public Relations						
City Representative	-	-	-	-	1,029	(1,029)
Commerce	21,652	21,350	21,290	60	30,882	(9,592)
Total Promotion and Public Relations	21,652	21,350	21,290	60	31,911	(10,621)
Personnel						
Civic Service Commission	208	208	170	38	191	(21)
Personnel Director	6,238	6,238	5,718	520	5,965	(247)
Total Personnel	6,446	6,446	5,888	558	6,156	(268)
Administration of Justice						
Register of Wills	4,221	4,480	4,479	1	4,892	(413)
District Attorney	33,377	42,027	42,027	-	45,282	(3,255)
Sheriff	26,796	27,637	27,637	-	30,280	(2,643)
First Judicial District	114,669	114,794	114,138	656	115,924	(1,786)
Total Administration of Justice	179,063	188,938	188,281	657	196,378	(8,097)
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,367	1,367	174	1,193	653	(479)
Conduct of Elections						
City Commissioners	12,298	22,057	20,871	1,186	14,183	6,688
Total Obligations	4,804,851	4,948,472	4,717,755	230,717	5,036,534	(318,779)
Operating Surplus (Deficit) for the Year	(223,058)	(366,679)	(25,266)	341,413	(202,942)	177,676

City of Philadelphia
 Budgetary Comparison Schedule
 Water Operating Fund
 For the Fiscal Year Ended June 30, 2021

Exhibit 17

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	697,950	697,950	699,441	1,491
Revenue from Other Governments	1,000	1,000	669	(331)
Revenue from Other Funds	113,110	113,110	57,341	(55,769)
Total Revenues	812,060	812,060	757,451	(54,609)
<u>Expenditures and Encumbrances</u>				
Personal Services	164,149	155,720	147,364	8,356
Pension Contributions	73,538	85,716	85,716	-
Other Employee Benefits	62,009	58,251	58,251	-
Sub-Total Employee Compensation	299,696	299,687	291,331	8,356
Purchase of Services	209,726	209,726	193,160	16,566
Materials and Supplies	55,048	54,787	45,420	9,367
Equipment	6,489	6,749	4,302	2,447
Contributions, Indemnities and Taxes	8,010	8,010	3,038	4,972
Debt Service	203,122	203,122	186,312	16,810
Payments to Other Funds	70,000	70,000	57,881	12,119
Total Expenditures and Encumbrances	852,091	852,081	781,444	70,637
Operating Surplus (Deficit) for the Year	(40,031)	(40,021)	(23,993)	16,028
Fund Balance Available for Appropriation, July 1, 2020	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	40,000	40,000	23,993	(16,007)
Adjusted Fund Balance, July 1, 2020	40,000	40,000	23,993	(16,007)
Fund Balance Available for Appropriation, June 30, 2021	(31)	(21)	-	21

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Water Operating Fund
For the Fiscal Year Ended June 30, 2021 (with comparative actual amounts for the Fiscal Year Ended June 30, 2020)

Exhibit 18

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2021 Actual	Positive (Negative)	FY 2020 Actual	Increase (Decrease)
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Sales and Charges - Current	588,292	588,292	587,898	(394)	592,511	(4,613)
Sales and Charges - Prior Years	40,750	40,750	44,655	3,905	39,195	5,460
Fire Service Connections	3,558	3,558	3,937	379	3,690	247
Surcharges	4,647	4,647	5,024	377	4,957	67
Fines and Penalties	286	286	352	66	348	4
Miscellaneous Charges	2,149	2,149	2,634	485	2,571	63
Charges to Other Municipalities	40,050	40,050	39,102	(948)	39,326	(224)
Licenses and Permits	6,572	6,572	7,987	1,415	5,039	2,948
Interest Income	3,100	3,100	(82)	(3,182)	3,256	(3,338)
Fleet Management - Sale of Vehicles & Equipment	20	20	107	87	19	88
Contributions from Sinking Fund Reserve	3,000	3,000	2,079	(921)	12,000	(9,921)
Reimbursement of Expenditures	228	228	805	577	1,794	(989)
Repair Loan Program	4,317	4,317	4,939	622	4,678	261
Other	980	980	4	(976)	933	(929)
Total Locally Generated Non-Tax Revenue	697,949	697,949	699,441	1,492	710,317	(10,876)
<u>Revenue from Other Governments</u>						
State	1,000	1,000	669	(331)	860	(191)
Federal	-	-	-	-	-	-
Total Revenue from Other Governments	1,000	1,000	669	(331)	860	(191)
<u>Revenue from Other Funds</u>						
	113,110	113,110	57,341	(55,769)	68,583	(11,242)
Total Revenues	812,059	812,059	757,451	(54,608)	779,760	(22,309)
<u>Obligations</u>						
Mayor's Office of Information Services	31,492	31,492	23,631	7,861	23,528	103
Managing Director's Office	139	139	139	-	139	-
Public Property	4,369	4,369	4,369	-	4,270	99
Office of Fleet Management	8,899	8,899	6,677	2,222	7,358	(681)
Water Department	439,066	433,184	398,749	34,435	399,811	(1,062)
Office of the Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	73,498	85,716	85,716	-	87,299	(1,583)
Other Employee Benefits	62,049	58,251	58,251	-	58,174	77
Contributions, Indemnities and Taxes	7,500	4,962	-	4,962	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Department of Revenue	17,646	17,647	14,044	3,603	15,590	(1,546)
Sinking Fund Commission	203,121	203,121	186,312	16,809	206,392	(20,080)
Procurement Department	111	101	101	-	72	29
Law	3,305	3,305	3,288	17	3,302	(14)
Mayor's Office of Sustainability	94	94	94	-	94	-
Water, Sewer and Stormwater Rate Board	800	800	73	727	592	(519)
Total Obligations	852,089	852,080	781,444	70,636	806,621	(25,177)
Operating Surplus (Deficit) for the Year	(40,030)	(40,021)	(23,993)	16,028	(26,861)	2,868

City of Philadelphia
 Budgetary Comparison Schedule
 Water Residual Fund
 For the Fiscal Year Ended June 30, 2021

Exhibit 19

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	-	-	22	22
Revenue from Other Funds	<u>37,000</u>	<u>37,000</u>	<u>24,796</u>	<u>(12,204)</u>
Total Revenues	37,000	37,000	24,818	(12,182)
<u>Expenditures and Encumbrances</u>				
Payments to Other Funds	33,000	33,000	24,796	8,204
Advances, Subsidies, Miscellaneous	<u>4,000</u>	<u>16,000</u>	<u>-</u>	<u>16,000</u>
Total Expenditures and Encumbrances	<u>37,000</u>	<u>49,000</u>	<u>24,796</u>	<u>24,204</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(12,000)</u>	<u>22</u>	<u>12,022</u>
Fund Balance Available for Appropriation, July 1, 2020	15,665	15,344	16,083	739
Fund Balance Available for Appropriation, June 30, 2021	<u>15,665</u>	<u>3,344</u>	<u>16,105</u>	<u>12,761</u>

City of Philadelphia
 Budgetary Comparison Schedule
 County Liquid Fuels Tax Fund
 For the Fiscal Year Ended June 30, 2021

Exhibit 20

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Revenue from Other Governments	<u>7,249</u>	<u>7,249</u>	<u>3,751</u>	<u>(3,498)</u>
Total Revenues	<u>7,249</u>	<u>7,249</u>	<u>3,751</u>	<u>(3,498)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	<u>3,734</u>	<u>3,734</u>	<u>3,604</u>	<u>130</u>
Purchase of Services	<u>6,920</u>	<u>6,204</u>	<u>1,031</u>	<u>5,173</u>
Materials and Supplies	<u>200</u>	<u>917</u>	<u>733</u>	<u>184</u>
Payments to Other Funds	<u>19</u>	<u>19</u>	<u>18</u>	<u>1</u>
Total Expenditures and Encumbrances	<u>10,873</u>	<u>10,874</u>	<u>5,386</u>	<u>5,488</u>
Operating Surplus (Deficit) for the Year	<u>(3,624)</u>	<u>(3,625)</u>	<u>(1,635)</u>	<u>1,990</u>
Fund Balance Available for Appropriation, July 1, 2020	<u>11,296</u>	<u>11,163</u>	<u>11,163</u>	<u>-</u>
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>25</u>	<u>25</u>	<u>183</u>	<u>158</u>
Adjusted Fund Balance, July 1, 2020	<u>11,321</u>	<u>11,188</u>	<u>11,346</u>	<u>158</u>
Fund Balance Available for Appropriation, June 30, 2021	<u><u>7,697</u></u>	<u><u>7,563</u></u>	<u><u>9,711</u></u>	<u><u>2,148</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Special Gasoline Tax Fund
 For the Fiscal Year Ended June 30, 2021

Exhibit 21

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	-	-	88	88
Revenue from Other Governments	29,325	29,325	34,032	4,707
Total Revenues	29,325	29,325	34,120	4,795
<u>Expenditures and Encumbrances</u>				
Personal Services	9,371	15,236	12,192	3,044
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	10,371	16,236	13,192	3,044
Purchase of Services	18,641	15,554	14,768	786
Materials and Supplies	5,463	4,859	4,844	15
Equipment	6,424	4,250	3,973	277
Payments to Other Funds	30	30	10	20
Total Expenditures and Encumbrances	40,929	40,929	36,787	4,142
Operating Surplus (Deficit) for the Year	(11,604)	(11,604)	(2,667)	8,937
Fund Balance Available for Appropriation, July 1, 2020	36,272	42,021	42,021	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	500	500	5,789	5,289
Adjusted Fund Balance, July 1, 2020	36,772	42,521	47,810	5,289
Fund Balance Available for Appropriation, June 30, 2021	25,168	30,917	45,143	14,226

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
HealthChoices Behavioral Health Fund
For the Fiscal Year Ended June 30, 2021

Exhibit 22

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual*</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	5,000	5,000	450	(4,550)
Revenue from Other Governments	1,295,000	1,295,000	1,215,730	(79,270)
Total Revenues	1,300,000	1,300,000	1,216,180	(83,820)
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	-	-	17,632	17,632
Total Revenues and Other Sources	1,300,000	1,300,000	1,233,812	(66,188)
<u>Expenditures and Encumbrances</u>				
Personal Services	1,247	1,247	369	878
Purchase of Services	1,298,558	1,298,558	1,160,798	137,760
Payments to Other Funds	195	195	55	140
Total Expenditures and Encumbrances	1,300,000	1,300,000	1,161,222	138,778
Operating Surplus (Deficit) for the Year	-	-	72,590	72,590
Fund Balance Available for Appropriation, July 1, 2020	-	101,238	101,238	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	6,487	6,487
Prior Period Adjustments	-	(101,238)	304	101,542
Adjusted Fund Balance, July 1, 2020	-	-	108,029	108,029
Fund Balance Available for Appropriation, June 30, 2021	-	-	180,619	180,619

* Refer to the notes to required supplementary information.

City of Philadelphia
 Budgetary Comparison Schedule
 Hotel Room Rental Tax Fund
 For the Fiscal Year Ended June 30, 2021

Exhibit 23

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Taxes	<u>56,623</u>	<u>18,549</u>	<u>24,692</u>	<u>6,143</u>
Total Revenues	<u>56,623</u>	<u>18,549</u>	<u>24,692</u>	<u>6,143</u>
<u>Expenditures and Encumbrances</u>				
Contributions, Indemnities and Taxes	<u>56,623</u>	<u>18,549</u>	<u>56,623</u>	<u>(38,074)</u>
Total Expenditures and Encumbrances	<u>56,623</u>	<u>18,549</u>	<u>56,623</u>	<u>(38,074)</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>(31,931)</u>	<u>(31,931)</u>
Fund Balance Available for Appropriation, July 1, 2020	<u>-</u>	<u>(15,011)</u>	<u>(15,011)</u>	<u>-</u>
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>-</u>	<u>-</u>	<u>17,933</u>	<u>17,933</u>
Adjusted Fund Balance, July 1, 2020	<u>-</u>	<u>(15,011)</u>	<u>2,922</u>	<u>17,933</u>
Fund Balance Available for Appropriation, June 30, 2021	<u>-</u>	<u>(15,011)</u>	<u>(29,009)</u>	<u>(13,998)</u>

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2021

Exhibit 24

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	127,299	64,110	64,110	-
Revenue from Other Governments	2,660,279	1,238,803	1,238,803	-
Total Revenues	2,787,578	1,302,913	1,302,913	-
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	-	-	134,247	134,247
Increase in Financed Reserves	-	-	(34,866)	(34,866)
Total Revenues and Other Sources	2,787,578	1,302,913	1,402,294	99,381
<u>Expenditures and Encumbrances</u>				
Personal Services	256,874	213,088	159,015	54,073
Pension Contributions	47,490	29,038	7,828	21,210
Other Employee Benefits	50,650	69,415	35,245	34,170
Sub-Total Employee Compensation	355,014	311,541	202,088	109,453
Purchase of Services	1,178,635	1,388,838	1,153,520	235,318
Materials and Supplies	81,855	47,753	21,025	26,728
Equipment	72,964	31,036	13,884	17,152
Contributions, Indemnities and Taxes	1	48,950	47,735	1,215
Payments to Other Funds	99,109	142,903	62,683	80,220
Advances, Subsidies, Miscellaneous	1,000,000	640,946	-	640,946
Total Expenditures and Encumbrances	2,787,578	2,611,967	1,500,935	1,111,032
Operating Surplus (Deficit) for the Year	-	(1,309,054)	(98,641)	1,210,413
Fund Balance Available for Appropriation, July 1, 2020	-	(287,099)	(314,164)	(27,065)
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	53,954	53,954
Revenue Adjustments - Net	-	-	(7)	(7)
Prior Period Adjustments	-	287,099	-	(287,099)
Adjusted Fund Balance, July 1, 2020	-	-	(260,217)	(260,217)
Fund Balance Available for Appropriation, June 30, 2021	-	(1,309,054)	(358,858)	950,196

* Refer to the notes to required supplementary information.

City of Philadelphia
 Budgetary Comparison Schedule
 Aviation Operating Fund
 For the Fiscal Year Ended June 30, 2021

Exhibit 25

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	348,831	348,831	327,160	(21,671)
Revenue from Other Governments	67,826	67,826	65,093	(2,733)
Revenue from Other Funds	<u>1,577</u>	<u>1,577</u>	<u>1,478</u>	<u>(99)</u>
Total Revenues	418,234	418,234	393,730	(24,503)
<u>Expenditures and Encumbrances</u>				
Personal Services	81,226	81,270	72,423	8,847
Pension Contributions	35,210	36,816	36,597	218
Other Employee Benefits	<u>28,540</u>	<u>26,934</u>	<u>22,200</u>	<u>4,735</u>
Sub-Total Employee Compensation	144,976	145,020	131,220	13,800
Purchase of Services	111,936	111,949	90,244	21,705
Materials and Supplies	5,308	5,323	4,746	576
Equipment	4,886	4,832	1,286	3,546
Contributions, Indemnities and Taxes	8,812	8,812	5,366	3,446
Debt Service	138,778	138,778	91,006	47,772
Payments to Other Funds	<u>11,018</u>	<u>11,000</u>	<u>23,036</u>	<u>(12,036)</u>
Total Expenditures and Encumbrances	<u>425,714</u>	<u>425,714</u>	<u>346,904</u>	<u>78,810</u>
Operating Surplus (Deficit) for the Year	<u>(7,481)</u>	<u>(7,481)</u>	<u>46,826</u>	<u>54,307</u>
Fund Balance Available for Appropriation, July 1, 2020	256,051	226,777	198,609	(28,168)
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>15,000</u>	<u>15,000</u>	<u>20,269</u>	<u>5,269</u>
Adjusted Fund Balance, July 1, 2020	<u>271,051</u>	<u>241,777</u>	<u>218,878</u>	<u>(22,899)</u>
Fund Balance Available for Appropriation, June 30, 2021	<u><u>263,571</u></u>	<u><u>234,297</u></u>	<u><u>265,704</u></u>	<u><u>31,408</u></u>

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2021 (with comparative actual amounts for the Fiscal Year Ended June 30, 2020)

Exhibit 26

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2021 Actual	Positive (Negative)	FY 2020 Actual	Increase (Decrease)
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Concessions	31,401	31,401	19,207	(12,194)	50,748	(31,541)
Space Rentals	167,769	167,769	160,616	(7,153)	112,032	48,584
Landing Fees	52,655	52,655	67,837	15,182	70,929	(3,092)
Parking	20,794	20,794	689	(20,105)	35,079	(34,390)
Car Rentals	12,520	12,520	11,496	(1,024)	16,932	(5,436)
Payment in Aid - Terminal Building	-	-	-	-	-	-
Interest Earnings	4,000	4,000	470	(3,530)	9,852	(9,382)
Sale of Utilities	4,031	4,031	2,153	(1,878)	2,340	(187)
Passenger Facility Charge	31,217	31,217	49,938	18,721	31,200	18,738
Overseas Terminal Facility Charges	22	22	102	80	8	94
International Terminal Charge	21,118	21,118	8,033	(13,085)	22,422	(14,389)
Other	3,304	3,304	6,619	3,315	8,150	(1,531)
Total Locally Generated Non-Tax Revenue	348,831	348,831	327,160	(21,671)	359,692	(32,532)
<u>Revenue from Other Governments</u>						
State	-	-	-	-	-	-
Federal	67,826	67,826	65,093	(2,733)	57,491	7,602
Total Revenue from Other Governments	67,826	67,826	65,093	(2,733)	57,491	7,602
<u>Revenue from Other Funds</u>						
	1,577	1,577	1,478	(99)	1,333	145
Total Revenue	418,234	418,234	393,731	(24,503)	418,516	(24,785)
<u>Obligations</u>						
Mayor's Office of Information Services	2,521	2,521	1,603	918	1,380	223
Managing Director	-	-	-	-	-	-
Police	14,863	15,599	15,601	(2)	17,692	(2,091)
Fire	8,357	8,935	8,934	1	9,570	(636)
Public Property	21,900	21,900	17,000	4,900	20,091	(3,091)
Office of Fleet Management	4,786	4,886	2,573	2,313	6,127	(3,554)
Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	35,195	36,801	36,597	204	41,051	(4,454)
Other Employee Benefits	28,555	26,949	22,200	4,749	24,041	(1,841)
Purchase of Services	3,146	3,146	3,038	108	2,614	424
Contributions, Indemnities and Taxes	2,512	1,305	-	1,305	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Sinking Fund Commission	138,778	138,778	91,006	47,772	123,448	(32,442)
Procurement	-	-	-	-	-	-
Commerce	163,727	163,327	146,785	16,542	167,592	(20,807)
Law	1,287	1,480	1,480	-	1,604	(124)
Mayor's Office of Transportation	-	-	-	-	-	-
Mayor's Office of Sustainability	88	88	88	-	94	(6)
Total Obligations	425,715	425,715	346,905	78,810	415,304	(68,399)
Operating Surplus (Deficit) for the Year	(7,481)	(7,481)	46,826	54,307	3,212	43,614

City of Philadelphia
 Budgetary Comparison Schedule
 Community Development Fund
 For the Fiscal Year Ended June 30, 2021

Exhibit 27

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	500	500	2,646	2,146
Revenue from Other Governments	95,481	75,481	58,451	(17,030)
Total Revenues	95,981	75,981	61,097	(14,884)
<u>Other Sources</u>				
Decrease in Financed Reserves	-	-	9,666	9,666
Total Revenues and Other Sources	95,981	75,981	70,763	(5,218)
<u>Expenditures and Encumbrances</u>				
Personal Services	6,559	7,206	4,990	2,216
Pension Contributions	2,261	3,024	2,020	1,004
Other Employee Benefits	1,892	2,018	1,388	630
Sub-Total Employee Compensation	10,712	12,248	8,398	3,850
Purchase of Services	64,985	72,615	62,110	10,505
Materials and Supplies	259	135	38	97
Equipment	-	121	109	12
Payments to Other Funds	25	25	24	1
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	95,981	105,144	70,679	34,465
Operating Surplus (Deficit) for the Year	-	(29,163)	84	29,247
Fund Balance Available for Appropriation, July 1, 2020	-	(8,386)	(16,190)	(7,804)
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	6,139	6,139
Prior Period Adjustments	-	8,386	-	(8,386)
Adjusted Fund Balance, July 1, 2020	-	-	(10,051)	(10,051)
Fund Balance Available for Appropriation, June 30, 2021	-	(29,163)	(9,967)	19,196

City of Philadelphia
 Budgetary Comparison Schedule
 Car Rental Tax Fund
 For the Fiscal Year Ended June 30, 2021

Exhibit 28

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Taxes	5,495	4,650	4,860	210
Locally Generated Non-Tax Revenue	<u>25</u>	<u>25</u>	<u>7</u>	<u>(18)</u>
Total Revenues	5,520	4,675	4,867	192
<u>Expenditures and Encumbrances</u>				
Purchase of Services	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Total Expenditures and Encumbrances	7,000	7,000	7,000	-
Operating Surplus (Deficit) for the Year	<u>(1,480)</u>	<u>(2,325)</u>	<u>(2,133)</u>	<u>192</u>
Fund Balance Available for Appropriation, July 1, 2020	<u>4,004</u>	<u>10,530</u>	<u>10,530</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2021	<u><u>2,524</u></u>	<u><u>8,205</u></u>	<u><u>8,397</u></u>	<u><u>192</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Housing Trust Fund
 For the Fiscal Year Ended June 30, 2021

Exhibit 29

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Locally Generated Non-Tax Revenue	12,434	12,434	15,742	3,308
Revenue from Other Funds	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Revenues	32,434	32,434	35,742	3,308
 <u>Expenditures and Encumbrances</u>				
Personal Services	2,250	2,250	688	1,562
Purchase of Services	59,502	79,352	40,484	38,868
Materials and Supplies		13	13	-
Equipment		<u>137</u>	<u>5</u>	<u>132</u>
Total Expenditures and Encumbrances	61,752	81,752	41,190	40,562
Operating Surplus (Deficit) for the Year	<u>(29,318)</u>	<u>(49,318)</u>	<u>(5,448)</u>	<u>43,870</u>
 Fund Balance Available for Appropriation, July 1, 2020				
	37,318	24,558	24,668	110
 <u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	12,000	27,000	8,378	(18,622)
Revenue Adjustments - Net	-	-	-	-
Prior Period Adjustments	-	-	-	-
Other Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Fund Balance, July 1, 2020	<u>49,318</u>	<u>51,558</u>	<u>33,046</u>	<u>(18,512)</u>
 Fund Balance Available for Appropriation, June 30, 2021				
	<u>20,000</u>	<u>2,240</u>	<u>27,598</u>	<u>25,358</u>

City of Philadelphia
 Budgetary Comparison Schedule
 General Capital Improvement Funds
 For the Fiscal Year Ended June 30, 2021

Exhibit 30

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	739,308	739,508	972	(738,536)
Revenue from Other Governments	655,968	655,868	34,572	(621,296)
Revenue from Other Funds	192,902	192,902	10,260	(182,642)
Total Revenues	1,588,178	1,588,278	45,804	(1,542,474)
<u>Other Sources (Uses)</u>				
Increase in Unreimbursed Commitments	-	-	312	312
Total Revenues and Other Sources	1,588,178	1,588,278	46,116	(1,542,162)
<u>Expenditures and Encumbrances</u>				
Capital Outlay	1,588,178	1,588,278	179,613	1,408,665
Operating Surplus (Deficit) for the Year	-	-	(133,497)	(133,497)
Fund Balance Available for Appropriation, July 1, 2020	-	-	1,595	1,595
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	2,247	2,247
Adjusted Fund Balance, July 1, 2020	-	-	3,842	3,842
Fund Balance Available for Appropriation, June 30, 2021	-	-	(129,655)	(129,655)

City of Philadelphia
Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2021

Exhibit 31

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Tax Revenue	<u>310,000</u>	<u>310,000</u>	<u>190,335</u>	<u>(119,665)</u>
Total Revenues	<u>310,000</u>	<u>310,000</u>	<u>190,335</u>	<u>(119,665)</u>
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>495</u>	<u>495</u>
Total Revenues and Other Sources	<u>310,000</u>	<u>310,000</u>	<u>190,830</u>	<u>(119,170)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	<u>7,242</u>	<u>7,242</u>	<u>4,095</u>	<u>3,147</u>
Pension Contributions	<u>30</u>	<u>42</u>	<u>-</u>	<u>42</u>
Other Employee Benefits	<u>239</u>	<u>227</u>	<u>1</u>	<u>226</u>
Sub-Total Employee Compensation	<u>7,511</u>	<u>7,511</u>	<u>4,096</u>	<u>3,415</u>
Purchase of Services	<u>305,990</u>	<u>305,990</u>	<u>181,520</u>	<u>124,470</u>
Materials and Supplies	<u>915</u>	<u>505</u>	<u>6</u>	<u>499</u>
Equipment	<u>-</u>	<u>410</u>	<u>141</u>	<u>269</u>
Payments to Other Funds	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>318,916</u>	<u>318,916</u>	<u>190,263</u>	<u>128,653</u>
Operating Surplus (Deficit) for the Year	<u>(8,916)</u>	<u>(8,916)</u>	<u>567</u>	<u>9,483</u>
Fund Balance Available for Appropriation, July 1, 2020	<u>26,483</u>	<u>22,747</u>	<u>22,747</u>	<u>-</u>
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Adjusted Fund Balance, July 1, 2020	<u>28,483</u>	<u>24,747</u>	<u>22,747</u>	<u>(2,000)</u>
Fund Balance Available for Appropriation, June 30, 2021	<u>19,567</u>	<u>15,831</u>	<u>23,314</u>	<u>7,483</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Budget Stabilization Fund
 For the Fiscal Year Ended June 30, 2021

Exhibit 32

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Revenue from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Expenditures and Encumbrances</u>				
Advances, Subsidies, Miscellaneous	<u>34,276</u>	<u>34,276</u>	<u>34,276</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>34,276</u>	<u>34,276</u>	<u>34,276</u>	<u>-</u>
Operating Surplus (Deficit) for the Year	<u>(34,276)</u>	<u>(34,276)</u>	<u>(34,276)</u>	<u>-</u>
Fund Balance Available for Appropriation, July 1, 2020	34,276	34,276	34,276	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Fund Balance, July 1, 2020	<u>34,276</u>	<u>34,276</u>	<u>34,276</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 No. 80, No. 84, No. 85, No. 90, and No. 97. Certain other organizations also met the criteria for inclusion; however, they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.

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

A. BLENDED COMPONENT UNITS

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

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

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

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

B. DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

Philadelphia Housing Authority (PHA) – 12 South 23RD Street, Philadelphia, PA 19103

PHA was established to provide low cost housing and other social services to the residents of the City. PHA is governed by a nine-member board with all members appointed by the City. In addition, the Mayor of Philadelphia has the ability to remove a majority of PHA's board without cause during any calendar year. Since the City appoints a voting majority of PHA's board and can impose its will, due to the Mayor's ability to remove a majority of the board at will; PHA meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

Philadelphia Redevelopment Authority (PRA) – 1234 Market St., Philadelphia, PA 19107

PRA was established to rehabilitate blighted sections of the City. It is governed by a five-member board appointed by the City and must submit its budgets to the City for review and approval. PRA's reported amounts include the financial activity of the Head House Retail Associates, L.P., which is PRA's discretely presented component unit whose fiscal year ended December 31, 2019.

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

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

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

SDP was established by the Educational Supplement to the Philadelphia Home Rule Charter to provide free public education for the City's residents. As of July 1, 2018, the SDP is governed by a nine-member board appointed by the Mayor and approved by City Council. Since the Mayor appoints the governing board and there exist a financial benefit/burden relationship between the SDP and the City; the SDP meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

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

CCP was established by the City to provide two-year post-secondary education programs for its residents. It is governed by a Board appointed by the City and receives substantial subsidies from the City. CCP's reported amounts include the financial activity of the Community College of Philadelphia Foundation, which is a discretely presented component unit of CCP. Since the City appoints the governing board and there exists a financial benefit/burden relationship between the CCP and the City; the CCP meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

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

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

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

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

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund 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, private equity, hedge funds, and real estate.

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

5. INVENTORIES

A. PRIMARY GOVERNMENT

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

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

B. COMPONENT UNITS

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

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

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

Capital Assets, which include property, plant, equipment and infrastructure assets (e.g. bridges, curbs and gutters, streets and sidewalks and lighting systems), are reported in the applicable governmental or business-type activities columns in the government wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years (except for the Aviation Fund which uses \$10,000 for personal property and \$100,000 for fixed assets). Capital assets are recorded at cost. Costs recorded do not include interest incurred as a result of financing asset acquisition or construction. Assets acquired by gift or bequest are recorded at their acquisition price at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

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

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In FY13 GASB Statement No. 65 was implemented resulting in bond issuance costs being recognized as an expense and reported in the period incurred.

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

8. INSURANCE

The City, except for the Airport and certain other properties, is self-insured for most fire and casualty losses to its structures and equipment and provides statutory workers' compensation and unemployment benefits to its employees. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, the city-administered health plan, the International Association of Fire Fighters and District Council 47.

9. RECEIVABLES AND PAYABLES

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

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2021 and 2020. 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 uncollectible. The real estate tax receivable allowance is equal to 30.99% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. The City of Philadelphia and the School District of Philadelphia both impose a tax on all real estate in the City. Current real estate rates are \$1.3998 on each \$100 assessment; \$0.6317 for the City and \$0.7681 for the School District of Philadelphia. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION

In accordance with Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the City reports deferred outflows of resources in the Statement of Financial Position in a separate section following Assets. Similarly, the City reports deferred inflows of resources in the Statement of Net Position in a separate section following Liabilities.

Deferred Outflows of resources represents consumption of net position that applies to a future period(s) and will not be recognized as an expenditure/expense until that time. Deferred Inflows of resources represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time.

On the full accrual basis of accounting, the components of the deferred outflows of resources and deferred inflows of resources are as follows:

- Derivative instruments are reported for the changes in fair value.
- Deferred Refunding results from the difference in the refunding of debt and its reacquisition price.
- Deferred pension transactions are recognized as an expense or revenue in a future period.
- Deferred outflows of resources and deferred inflows of resources related to the City's OPEB.

Six component units, including (PGW), (PRA), (PPA), (SDP), (CCP), and (PHA) have items that qualify in some of the categories, which are deferred refunding, deferred pension, and deferred OPEB categories. These items have been reported as deferred outflows or deferred inflows on the City's and the component unit's Statement of Net Position.

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) (\$364.1 million).

14. NEW ACCOUNTING PRONOUNCEMENTS - ADOPTED

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 effect of this statement has not yet been determined.

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. The adoption of this statement had no effect on previously reported amounts.

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 objective of this Statement is to increase consistency and comparability related to the reporting of fiduciary component units that are established as 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 adoption of this statement had no effect on previously reported amounts.

In October 2021, **GASB issued Statement No. 98, The Annual Comprehensive Financial Report.** This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The adoption of this statement had no effect on previously reported amounts.

NEW ACCOUNTING PRONOUNCEMENTS – TO BE ADOPTED:

In June 2017, **GASB issued Statement No. 87, Leases.** This statement 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.

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.

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.

In January 2020, **GASB issued Statement No. 92, Omnibus 2020.** The objective of this statement is to enhance the comparability in accounting and financial reporting and improve the consistency of authoritative literature by focusing on practice issues that have been identified during the implementation of various GASB statements.

In March 2020, **GASB issued Statement No. 93, Replacement of Interbank Offered Rates.** This Statement establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments.

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 address and improve financial reporting issues related to public-private and public-public partnership arrangements (PPPs).

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).

The new standards must be adopted as follows:

GASB Statement No. 87 – Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.

GASB Statement No. 89 – Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.

GASB Statement No. 91 – Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.

GASB Statement No. 92 – Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.

GASB Statement No. 93 – Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.

GASB Statement No. 94 – Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.

GASB Statement No. 96 – Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.

The effect of these statements has not yet been determined.

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 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 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.