

# City of Philadelphia

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

*Founded 1682*



Boathouse Row

## Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021



# City of Philadelphia

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

## Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2021



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**For the Fiscal Year Ended June 30, 2021**

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## **City of Philadelphia**

### **OFFICE OF THE DIRECTOR OF FINANCE**

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**ROB DUBOW**

Director of Finance

February 25, 2022

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

We are pleased to present the City of Philadelphia's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This report must be published by February 25<sup>th</sup> of every year to fulfill the continuing disclosure requirements related to the City's outstanding bonds and as outlined in SEC Rule 15c2-12.

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

The City Controller has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2021. The City Controller is an independently elected public official and is required by City Home Rule Charter (City Charter) section 6-401 to appoint a certified public accountant as the deputy in charge of auditing and complete an annual audit of all City accounts. The independent auditor's report is located at the front of the financial section of this report.

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

### **PROFILE OF THE GOVERNMENT**

The City of Philadelphia was founded in 1682, incorporated in 1789, and merged with the County of Philadelphia in 1854. The city occupies an area of 135 square miles along the Delaware River, serves a population of roughly 1.6 million and is the hub of a five-county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in Southeast Pennsylvania.

The City is governed largely under the City Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951 and became effective on the first Monday of January 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania.

Under the City Charter, there are two principal governmental entities in the City: (i) the City, which performs municipal and county functions; and (ii) the School District, which has boundaries coterminous with the City and responsibility for all public primary and secondary education. Under Article XII of the City Charter, the School District of Philadelphia operates as a separate and independent home rule school district. From 2001 to 2018, the School District was governed by the state-led School Reform Commission before being returned to local control in mid-2018. The Board of Education, which has governed the District since then, has nine members, each of whom is appointed by the Mayor.

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

The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council, ten from districts and seven from the city at-large, elected every four years. Minority representation is assured by the requirement that no more than five candidates may be elected for Council-at-large by any one party or political body. The Mayor is prohibited from serving more than two consecutive terms. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services and prisons. The City operates water and wastewater systems that service the residents of Philadelphia. The City also operates two airports: Philadelphia International Airport, which handles passengers and cargo; and Northeast Philadelphia Airport, which handles private aircraft and some cargo. The COVID-19 pandemic affected the entire airline industry for the majority of FY21.

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

Blended component units included in this report are:

- Philadelphia Municipal Authority
- Pennsylvania Intergovernmental Cooperation Authority

Discretely presented component units included in this report are:

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

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

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



## **FACTORS AFFECTING ECONOMIC CONDITION**

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

### **Local Economy**

The city benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. As a hub for education and medicine, the city is home to several institutions of higher education, medical and research facilities, and hospitals. The city also has a strong business and personal services economy with strengths in insurance, law, finance, and leisure and hospitality. Tourism is driven by the city's attractive historic district and array of cultural assets, including museums, theaters and entertainment venues, a vast park system, and a dynamic restaurant scene.

The COVID-19 pandemic has impacted and will continue to impact the local economy. As previously stated, three main drivers of Philadelphia's economy are educational institutions, medical institutions, and hospitality. Educational and medical institutions are relatively stable and account for 32% of the total Philadelphia workforce. The leisure and hospitality sector, which is most vulnerable to the effects of social distancing measures, employs a much smaller proportion of the total workforce, but its contraction due to COVID-19, has had an immediate and disproportionate impact on the city's low wage workers.

Payrolls in the City of Philadelphia rose gradually over the second half of 2021, as employers added 15,000 jobs on a seasonally-adjusted basis from July to December. By December 2021, over 53% of the jobs lost in the city at the beginning of the pandemic in March and April 2020 had been restored. Viewed from that perspective, the city's recovery falls well short of the national average and that of the overall Philadelphia MSA, both around 78%.

The city's leisure and hospitality sectors remain slow to restore jobs lost to the pandemic. The slow return of downtown office workers, tourists, and convention activity, along with some consumer concerns over being in public areas, has reduced demand for leisure and hospitality services while labor shortages are hindering businesses that would like to add staff.

Education and health care services have also been very slow to restore payrolls, with losses most heavy among day care and nursing care facilities. This is likely due to labor shortfalls, as affected jobs are generally low-paying with few benefits. Declining immigration into the United States over the past five years also has lowered the labor supply.

The Port of Philadelphia reports moving record tonnage in calendar year 2021, with double-digit growth in containers, breakbulk shipping, and overall cargo. ("Breakbulk" shipping involves cargo that does not fit into standard-sized shipping containers or bins; the cargo is transported in bags, boxes, crates, or other assorted means). Imports into the United States are running at historically high levels, and the Port of Philadelphia benefitted from long delays at other major ports. Imports of vehicles through the port were likely down considerably due to the slowdown in global auto production, but those results were not reported.

Other challenges also remain. The city's poverty rate is the highest of the 10 largest cities in the country by population, and personal income levels also remain relatively low in comparison to the region. While Philadelphia's poverty rate had been on the decline pre-COVID-19, reliable data on impacts of the pandemic on the City's poverty rate is not yet available. High poverty and low incomes create an ongoing challenge to fund public services from a weaker tax base. While the city has benefited from recent population growth, the number of parent-aged adults (age 35-54) and school-aged children (age 5-19 years) has declined over the past five years. This trend has negative implications for the tax base.

| Calendar<br>Year | Population (1) | Personal<br>Income<br>(in thousands) (2) | Per Capita<br>Personal<br>Income (3) | Unemployment<br>Rate |
|------------------|----------------|--|--------------------------------------|----------------------|
| 2020             | 1,578,487      | 93,038,320                               | 58,941                               | 12.4%                |
| 2019             | 1,584,064      | 90,711,866                               | 57,265                               | 5.5%                 |
| 2018             | 1,584,138      | 88,311,658                               | 55,747                               | 5.5%                 |
| 2017             | 1,580,863      | 88,081,991                               | 55,718                               | 6.2%                 |
| 2016             | 1,567,872      | 80,973,410                               | 51,645                               | 6.8%                 |
| 2015             | 1,567,442      | 77,903,831                               | 49,701                               | 6.9%                 |
| 2014             | 1,560,297      | 66,495,223                               | 42,617                               | 8.0%                 |
| 2013             | 1,553,165      | 65,473,002                               | 42,155                               | 10.0%                |
| 2012             | 1,547,607      | 64,151,742                               | 41,452                               | 10.5%                |
| 2011             | 1,538,567      | 62,632,520                               | 40,708                               | 10.8%                |

(1) US Census Bureau

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

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

The City has “A” category ratings for its General Obligation debt from all three major rating agencies: A2 (Moody’s), A (Standard & Poor’s), and A- (Fitch). December 2013 was the first time that the City has been rated in the “A” category by all three rating agencies. In March 2021, Fitch revised its outlook on the City from stable to negative based on a large decline in General Fund reserves driven by the financial impacts of COVID-19. In September 2021, Fitch subsequently improved its outlook on the City’s General Obligation rating from negative to stable due to the City’s improving reserve levels and receipt of the federal American Rescue Plan Act funds. S&P’s outlook on the City’s General Obligation rating changed from positive to stable in April 2020. This was part of a systemwide change that affected issuers across the country considering financial challenges posed by COVID-19. Moody’s has maintained the City’s rating and outlook since November 2018, when it revised the outlook from negative to stable.

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

#### City of Philadelphia's General Obligation Bond Ratings

| Fiscal<br>Year End | Moody's | Standard & Poor's | Fitch |
|--------------------|---------|-------------------|-------|
| 2021               | A2      | A                 | A-    |
| 2020               | A2      | A                 | A-    |
| 2019               | A2      | A                 | A-    |
| 2018               | A2      | A                 | A-    |
| 2017               | A2      | A+                | A-    |
| 2016               | A2      | A+                | A-    |
| 2015               | A2      | A+                | A-    |
| 2014               | A2      | A+                | A-    |
| 2013               | A2      | A-                | A-    |
| 2012               | A2      | BBB+              | A-    |

The consistent efforts of Philadelphia's economic development agencies and others have spurred significant economic changes throughout the city.

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

| Project Name, by Neighborhood                    | Project Type         | Cost in Millions | Est. Completion Date |
|--|----------------------|------------------|----------------------|
| <b>CENTER CITY</b>                               |                      |                  |                      |
| LVL Bond and Spring Garden                       | Mixed / Residential  | \$180            | 2022                 |
| Jefferson Health Specialty Care Pavillion        | Medical              | \$762            | 2024                 |
| Morgan Lewis Office Tower (23rd and Market )     | Office               | \$200            | 2021                 |
| Aramark Headquarters (2400 Market)               | Office               | \$230            | Completed 2019       |
| W Hotel / Element                                | Hotel                | \$359            | Completed 2020       |
| The Gallery Mall (Market Street)                 | Commercial           | \$350            | Completed 2020       |
| 1911 Walnut                                      | Residential          | \$300            | 2022                 |
| Hanover North Broad                              | Mixed Use            | \$50             | Completed 2020       |
| SLS Residences                                   | Residential          | \$253            | 2022                 |
| Police Headquarters in Inquirer Building         | Public               | \$250            | 2021                 |
| 1620 Samson Street                               | Residential          | \$200            | 2021                 |
| 2301 Arch Street (Phases I and II)               | Retail / Residential | \$160            | 2021                 |
| 204 S. 12th Street                               | Residential          | \$180            | 2023                 |
| 123 S. 12th Street                               | Residential          | \$225            | 2023                 |
| <b>NAVY YARD</b>                                 |                      |                  |                      |
| Wuxi (4751 League Island Blvd)                   | Office / Lab         | \$78             | Completed 2020       |
| Iovance (300 Rouse Blvd)                         | Office / Lab         | \$125            | 2021                 |
| <b>OLD CITY</b>                                  |                      |                  |                      |
| I-95 Overcap Park                                | Public               | \$225            | 2024                 |
| <b>OTHER NEIGHBORHOODS</b>                       |                      |                  |                      |
| 13th and Fairmount                               | Retail / Residential | \$190            | 2021                 |
| 501 Spring Garden                                | Retail / Residential | \$160            | 2023                 |
| 300 N. Christopher Columbus Ave.                 | Residential          | \$200            | 2023                 |
| Festival Pier (501 N. Christopher Columbus Ave.) | Residential          | \$250            | 2023                 |
| <b>UNIVERSITY CITY</b>                           |                      |                  |                      |
| 3151 Market Street (Schuylkill Yards)            | Office / Medical     | \$300            | 2023                 |
| CHOP Schuylkill Ave. Expansion (Phase 2)         | Medical              | \$600            | 2024                 |
| 4601 Market                                      | Office / Medical     | \$250            | 2021                 |
| Penn Health Tower                                | Medical              | \$1,500          | 2021                 |
| CHOP Berger Center Expansion                     | Medical              | \$492            | 2021                 |
| <b>TOTAL</b>                                     |                      | <b>\$8,069</b>   |                      |

Source: Philadelphia Department of Planning and Development.

### Long-Term Financial Planning

With business and school closures to protect the public health impacting revenue receipts, new operational needs to respond to the pandemic and support Philadelphians impacted by its economic fallout, and ambiguity about the timing and amount of federal relief, Philadelphia's finances were far from certain at most points in FY21. Philadelphians experienced real negative impacts as budget gap closing measures meant the year included layoffs, service reductions, and tax increases. By the end of the fiscal year, reserves set aside had to be drawn down, but relief arrived in the form of the American Rescue Plan Act (ARPA), and Philadelphia was able to avoid additional gap reduction measures. The City of Philadelphia began Fiscal Year 2022 (FY22) in stronger fiscal condition than projected in the originally adopted FY22 budget, but as impacts from COVID-19 continue to loom, the City needs to be strategic about balancing investments for immediate needs with setting aside reserves for the future.

One of the most important measures of the City's financial health is its fund balance. Having a healthy fund balance gives the City financial flexibility and makes it better able to meet its cash flow needs, mitigates current and future financial risks and ensures predictability of future services. The City's fund balance has historically been well below the almost 17% recommended by the Government Finance Officers Association (GFOA) but had recently exceeded the City's target of 6% to 8% of General Fund spending (\$438.7 million or 9% in Fiscal Year 2019). In FY21, the City ended with a fund balance of \$298.5 million, an \$8 million increase from FY20. For FY21, the ending fund balance was 6.3% of General Fund spending, which is within the City's target range. While this improvement was well above earlier projections for FY21, the fund balance masks several differences in revenues and spending compared to initial estimates and still falls short of best practice and internal goals. To mitigate this precarious situation, the Administration continues to closely monitor revenue and spending and to identify contingency plans to keep the budget in balance.

The General Fund is projected to end FY22 with a fund balance of \$133.7 million, which is 2.5% of the City's projected obligations. This is much less than the City's target of 6% to 8%, and below the GFOA's recommended level of 17%. To help offset the risks associated with this level of fund balance, the FY22 budget includes a \$42.5 million Recession and Reopening Reserve available to address unbudgeted needs arising from the ongoing uncertainty around the path of the COVID-19 virus and the economy. Additionally, the City has yet to deploy all of the American Rescue Plan Act proceeds received to date, opting to set a draw down schedule that sets a glide path to recovery of the tax base but can be utilized sooner if conditions warrant.

The table below illustrates the City's General Fund year-end balance for the past 5 years, along with the projected FY22 year-end balance as noted in the City's Quarterly City Managers Report (for the period ending December 31, 2021).

| General Fund<br>Year End Fund Balance (Legal Basis) |              |                   |
|---|--------------|-------------------|
| Fiscal Year End                                     | Fund Balance | Projection/Actual |
| 2022  | 133,656      | Projection        |
| 2021  | 298,542      | Actual            |
| 2020  | 290,672      | Actual            |
| 2019  | 438,680      | Actual            |
| 2018  | 368,783      | Actual            |
| 2017  | 189,243      | Actual            |

Source: Qtrly City Managers Report dated 12/31/2021.

## Relevant Financial Policies

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

**Fund Balance Target:** Recognizing the importance of maintaining adequate fund balances, the City developed a target fund balance of approximately 6% to 8% of the budget. The GFOA recommends that general-purpose



governments maintain unrestricted budgetary fund balance in the general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. Unfortunately, the devastating impacts on revenues and spending caused by COVID-19, have meant a much lower fund balance for the City. At a projected \$133.7 million for FY22, the City's fund balance covers approximately nine days and not two months of regular government spending (17%) as recommended by the GFOA.

**Wage and Business Tax Changes:** The City's largest portion of tax revenue comes from the City's Wage and Earnings Tax. This tax is collected from all employees who work within the city limits but live elsewhere, as well as all residents regardless of work location. The Business Income and Receipts Tax (BIRT) is the third largest source of General Fund revenue and is based on both gross receipts (sales) and net income (profits). Philadelphia remains committed to improving the business climate and for FY22 opted to allocate additional funds for economic development activities rather than resume BIRT rate reductions to better target relief and support to enterprises that have been historically marginalized and are most in need. As part of Mayor Kenney's commitment to restarting the Philadelphia's economy and to maintaining the City's long-term fiscal health, the Administration proposed the largest Wage Tax rate reduction since 2009, when a significant rate cut was enabled by the start of gaming revenues. To ensure job growth in the city and to make Philadelphia more competitive, City Council approved a 3.8398% rate for residents and a 3.4481% rate for nonresidents in FY22. These adjustments accelerate the Wage Tax reductions, taking the City's resident Wage Tax rate below the level envisioned for FY22 pre-pandemic and are the lowest Wage Tax rates for both portions of the tax in 50 years.

**Reassessments:** The Real Property Tax is levied on the taxable assessed value of all property in the city and is the second largest source of City tax revenue. Philadelphia is unlike other cities and counties which rely more heavily on the property tax portion of their budget. Philadelphia's property tax is split between the City and the School District of Philadelphia. In Fiscal Year 2013, the City completed the Actual Value Initiative (AVI), which involved a comprehensive reassessment of all properties in the City – approximately 579,000 parcels – to correct outdated and partial assessments. The intent of AVI was to ensure that properties are examined annually to ensure that values reflect the market.

For Tax Year 2021, OPA did not conduct a comprehensive reassessment, which meant the vast majority of properties in the city saw their Tax Year 2020 market value carried forward to Tax Year 2021. This decision allowed OPA staff to focus on learning the new CAMA (Computer Assisted Mass Appraisal) system and allowed OPA to continue to implement the recommendations from an expert consultant on ways to further improve the quality of assessments. Delays related to COVID-19 forced OPA to postpone the full reassessment planned for Tax Year 2022 to Tax Year 2023. As a result, the vast majority of properties in the city saw their Tax Year 2021 market value carried forward to Tax Year 2022.

**Improving the Health of the Pension Fund:** The City will not attain fiscal stability until it has solidified the financial condition of the Pension Fund. To address this challenge, the Kenney Administration, working with municipal employees, the Pension Board, and City Council, launched a three-pronged approach to improve the health of the Pension Fund to 80% funded by Fiscal Year 2029 and 100% funded by Fiscal Year 2033.

The first part of the Mayor's pension reform program is a commitment to increasing over time the City's annual contribution to the Pension Fund. While a restructuring of the City's Pension Obligation Bond lowered its debt service payment in FY21 to help the City navigate dramatic revenue losses due to COVID-19, that bond restructuring did not affect the City's contribution to the Pension Fund.. The General Fund contribution makes up the majority of the City's annual contribution to the Pension Fund, totaling more than \$636.6 million in FY21 (the All-Funds total is \$768.6 million). In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying minimum municipal obligation (MMO), the amount required under state law, the City meets its MMO independent of these revenues, so that Sales Tax dollars directed to the Fund will be over and above the MMO. Over the FY22-FY26 Five Year Plan, the Sales Tax revenues due to the Pension Fund are projected to be worth about \$355 million.

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

Third, the Pensions Board has made significant changes to its investment strategy to reduce costs while improving earnings. The Board is making greater use of indexing, which lowered management fees by almost \$15 million a year, and has almost entirely divested from hedge funds, as the returns did not justify the fees. Reductions in earnings assumptions allow pension funds to moderate the risk of the investments, which can also reduce the likelihood of losses. In addition, the Pension Board has gradually lowered the assumed rate of return to 7.50% from 8.75% since 2008. Partially as a result of this change in assumed rate of return, the MMO has increased in recent years. Moreover, the City follows the Revenue Recognition Policy (RRP) to finance the unfunded actuarial liability. Under the RRP, the City provides contributions to the Pension Fund that are in excess of the MMO.

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

## **Major Initiatives**

**Pre-Kindergarten, Community Schools, and Improvements to Recreation Centers and Libraries:** In June 2016, City Council passed, and the Mayor signed the Philadelphia Beverage Tax (PBT) into law. The PBT taxes the distribution of sweetened drinks at 1.5 cents per ounce and became effective January 1, 2017. The PBT provides funding for pre-kindergarten (Pre-K), community schools, and improvements to recreation centers and libraries. In FY21, the city collected approximately \$70.2 million in revenues from the PBT. The FY22-26 Five Year Plan, as revised in October 2021, estimates FY22 collections of \$74.4 million as this tax continues to rebound from COVID-19 related impacts. Collections in FY23 and beyond are expected to decline based on national trends for reduced sweetened beverage consumption.

**COVID-19 Recovery:** In April 2020, the City established the Office of Recovery and Grants to oversee federal, state and local grant funding received to support its response to and recovery from the COVID-19 pandemic. These funding sources include Coronavirus Aid, Relief, and Economic Security (CARES) Act grants, Federal Emergency Management Agency (FEMA) Public Assistance, and American Rescue Plan Act (ARPA) relief funds to support the City's recovery from COVID-19. In FY21, the City used \$26 million of the \$276.4 million in Coronavirus Relief Funds received through the CARES Act to reimburse the General Fund for costs related to its pandemic response, in addition to \$116 million in direct costs. The remainder of the \$276.4 million was allocated by the end of calendar year 2021. Additionally, ARPA relief funds received from the federal government are being used to offset revenue losses due to the pandemic. Recovery will continue to be a key area of focus over the Five Year Plan.

**Violence Prevention and Public Safety:** The Administration continues to work tirelessly in response to the national public health emergency that gun violence presents. On this front, the City has acted swiftly, investing in anti-violence initiatives that both address the immediate crisis and tackle the systemic, root causes of violence. A record \$155 million has been invested to reduce and prevent violence in FY22. This funding, separate from funding for Police, includes expanded community violence intervention programs, enrichment opportunities and safe havens for children and youth, nearly \$2 million to stand up Community Evening

Resource Centers for youth, increased investments in technology to expedite release from incarceration, the \$22 million Anti-Violence Community Expansion Grant Program, and tens of millions of dollars invested into community-based programs, increasing funding for workforce development and transitional jobs programs, in addition to many more programs. The City will also expand upon behavioral health crisis tools, community engagement, and continued investment in protective factors such as summer activities for older youth and expanded educational opportunities.

**Education:** Lastly, education continues to be a key area of focus and investment for this Administration. In addition to the investments in pre-K and community schools enabled by the PBT, the Administration is making significant investments in K-12 education, the Community College of Philadelphia, and adult education. This includes investing almost \$1.4 billion over the life of the FY22-26 Five Year Plan in the School District of Philadelphia, in addition to local tax revenues that support the District. Following a \$252.6 million contribution in FY21, FY22 includes \$255.9 million in funding for the School District of Philadelphia.

Following a \$41.6 million contribution to the Community College of Philadelphia (CCP) in FY21, the Five-Year Plan includes a \$250 million investment over the coming five years. This includes funding for the new Octavius Catto Scholarship at the Community College of Philadelphia (CCP). Catto Scholars receive tuition-free enrollment through a “last-dollar” tuition model that closes the gap between other financial aid and students’ remaining tuition balance. Catto Scholars also benefit from enhanced staff supports and basic needs funding for books, transportation, and food.

Adult Education is critical to Philadelphia’s equitable recovery, and under the direction of the Office of Children and Families, adult education services are being revised in response to the COVID-19 pandemic and better aligned to the workforce system. In FY22, the City is budgeted to sustain its investments at \$1.4 million.

#### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the forty-first consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

The preparation of the Annual Comprehensive 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,

A handwritten signature in dark ink, appearing to read 'Rob Dubow', with a stylized, flowing script.

**ROB DUBOW**  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Philadelphia  
Pennsylvania**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO



**James F. Kenney**  
Mayor





## Elected Officials

Mayor ..... James F. Kenney

### City Council

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

1st District ..... Mark Squilla

2nd District ..... Kenyatta Johnson

3rd District ..... Jamie Gauthier

4th District ..... Curtis Jones, Jr.

6th District ..... Vacant

7th District ..... Maria D. Quinones-Sanchez

8th District ..... Cindy Bass

9th District ..... Cherelle Parker

10th District ..... Brian J. O'Neill

At-Large ..... Kendra Brooks

At-Large ..... Allan Domb

At-Large ..... Derek Green

At-Large ..... Katherine Gilmore Richardson

At-Large ..... Helen Gym

At-Large ..... David Oh

At-Large ..... Isaiah Thomas

District Attorney ..... Lawrence S. Krasner

City Controller ..... Rebecca Rhynhart

### City Commissioners

Chairwoman ..... Lisa M. Deeley

Commissioner ..... Seth Bluestein

Commissioner ..... Omar Sabir

Register of Wills ..... Tracey L. Gordon

Sheriff ..... Rochelle Bilal

### First Judicial District of Pennsylvania

President Judge, Court of Common Pleas ..... Idee Fox

President Judge, Municipal Court ..... Patrick F. Dugan



## **Appointed Cabinet Members**

|   |                       |
|---|-----------------------|
| Managing Director .....                           | Tumar Alexander       |
| Finance Director .....                            | Rob Dubow             |
| Chief Administrative Officer .....                | Stephanie Tipton      |
| City Solicitor .....                              | Diana Cortes          |
| Director of Planning & Development .....          | Anne Fadullon         |
| Chief of Staff .....                              | James Engler          |
| Deputy Mayor for Intergovernmental Affairs .....  | Deborah Mahler        |
| Deputy Mayor for Labor Relations .....            | Richard Lazer         |
| Chief Integrity Officer .....                     | Sarah Stevenson       |
| Chief Education Officer .....                     | Otis Hackney          |
| Chief Diversity, Equity & Inclusion Officer ..... | Nefertiri Sickout     |
| City Representative .....                         | Sheila Hess           |
| Inspector General .....                           | Alexander F. DeSantis |







# CITY OF PHILADELPHIA

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

REBECCA RHYNHART  
City Controller

CHRISTY BRADY  
Deputy City Controller

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. With the exception of the School District of Philadelphia, we did not audit the financial statements of the blended component units, the discretely presented component units, and the fiduciary component units listed in Note I.1, as well as the Parks and Recreation Departmental and Permanent Funds, which represent the indicated percent of total assets, net position/fund balances, and revenues as presented in the table below. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those component units and funds, are based solely on the reports of the other auditors.

|  | Percent Audited by Other Auditors |   |                       |
|--|-----------------------------------|---|-----------------------|
|  | <u>Total Assets</u>               | <u>Total Net Position/Fund Balances</u> | <u>Total Revenues</u> |
| Governmental Activities                        | 2%                                | 1%                                      | 8%                    |
| Business-Type Activities                       | 0%                                | 0%                                      | 0%                    |
| Aggregate Discretely Presented Component Units | 61%                               | 34%                                     | 42%                   |
| Major Funds                                    | 0%                                | 0%                                      | 0%                    |
| Aggregate Remaining Fund Information           | 93%                               | 94%                                     | 85%                   |

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter - Change in Accounting Principle***

As discussed in Notes I.14. and III.14.A. to the financial statements, in fiscal year 2021, the City of Philadelphia, Pennsylvania adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principle. As of July 1, 2020, the City of Philadelphia, Pennsylvania recorded a prior period restatement to reflect the cumulative effect of the accounting change. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 37, and the required supplementary information other than management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Supplementary Information***

Our audit for the year ended June 30, 2021, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements. The accompanying Other Supplementary Information for the year ended June 30, 2021, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information

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

has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2021, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the Other Supplementary Information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2021.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2020 (not presented herein), and have issued our report thereon dated February 25, 2021, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The 2020 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2020, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 financial statements. The 2020 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations have been subjected to the auditing procedures applied in the audit of the 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

*Other Information*

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



CHRISTY BRADY, CPA  
Deputy City Controller  
Philadelphia, Pennsylvania  
February 25, 2022



# City of Philadelphia

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

## ***Management's Discussion & Analysis***

The City's management prepared this narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2021. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the City's financial statements immediately following this discussion and analysis.

### **Financial Highlights**

The City of Philadelphia, along with virtually every governmental entity in the country, has been affected by the COVID-19 pandemic. The pandemic had a major effect on the operations of the City, impacting not only revenue and expenses, but also the basic operations of the City. The effects of the pandemic are detailed throughout the MD&A and the notes to the financial statements of the City.

At fiscal year ended June 30, 2021, the liabilities and deferred inflows of the City of Philadelphia exceeded its assets and deferred outflows by \$5,033.5 million. Its unrestricted net position showed a deficit of \$8,789.8 million. The major underlying causes of this deficit are the net pension liability (\$4,721.4 M), the net OPEB liability (\$2,088.2 M), and the outstanding pension obligation bonds (\$1,025.8 M). This deficiency will have to be funded from resources generated in future years.

The City's total June 30, 2021 year-end net position increased by \$349.6 million from the prior year June 30, 2020 net position. This increase was driven by a decrease in net investment for capital assets – capital projects of (\$196.0) million and a decrease in restricted for debt service of (\$19.2) million. The governmental activities of the City had an increase of \$252.2 million, while the business type activities had an increase of \$97.4 million.

For the fiscal year ended June 30, 2021, the City's governmental funds reported a combined ending fund balance of \$900.8 million, a decrease of (\$145.2) million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of \$376.7 million, an increase in the deficit of \$46.2 million from last year.

At the end of the fiscal year ended June 30, 2021, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of the fund balance) for the General Fund was \$442.7 million, of which, \$0.0 was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* remained unchanged from the prior year.

On the legally enacted budgetary basis, the City's General Fund ended the fiscal year with a surplus fund balance of \$298.5 million, as compared to a \$290.7 million surplus last year. The increase of \$7.8 million was due mainly to overall decreases in expenditures, encumbrances, and cancelations of prior year obligations.

### **Overview of the Financial Statements**

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

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

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

The statement of net position which includes all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position are an indicator of the City's financial position.

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

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

1. **Governmental activities** are primarily supported by taxes and state and federal grants. The governmental activities include general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational activities; streets, highways and sanitation; and the financing activities of the City's two blended component units - the Pennsylvania Intergovernmental Cooperation Authority (PICA) and Philadelphia Municipal Authority (PMA).
2. **Business-type activities** are supported by user fees and charges which are intended to recover all or a significant portion of their costs. The City's water and wastewater systems, airport and industrial land bank are all included as business type activities.

These two types of activities comprise the primary government of Philadelphia.

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

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

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

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

The City maintains twenty-two individual governmental funds. Financial information is presented separately for the General Fund, Grants Revenue Fund and Health Choices Behavioral Health Fund, which are considered major funds. Data for the remaining nineteen funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

2. **Proprietary funds.** The proprietary funds are used to account for the financial activity of the City's operations for which customers are charged a user fee; they provide both a long and short-term view of financial information. The City maintains three enterprise funds which are a type of proprietary funds - the airport, water and wastewater operations, and industrial land bank. These enterprise funds are the same as the business-type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.
3. **Fiduciary funds.** The City of Philadelphia is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for the Gas Works' employees' retirement reserve assets. Both of these fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. They are not reflected in the government-wide financial statements because the assets are not available to support the City's operations.

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

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

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

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

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

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

### Government-wide Financial Analysis

**Net position.** As noted earlier, net positions are useful indicators of a government's financial position. At the close of the current fiscal year ended June 30, 2021, the City of Philadelphia's liabilities and deferred inflows exceeded its assets and deferred outflows by \$5,033.5 million.

Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net position, at \$2,164.5 million. Although these capital assets assist the City in providing services to its residents, they are generally not available to fund the operations of future periods.

A portion of the City's net position, \$1,591.9 million, is subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of \$8,789.8 million. The governmental activities reported negative *unrestricted net position* of \$8,555.8 million. The business type activities reported an unrestricted net position deficit of \$234.0 million. Any deficits will have to be funded from future revenues.

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

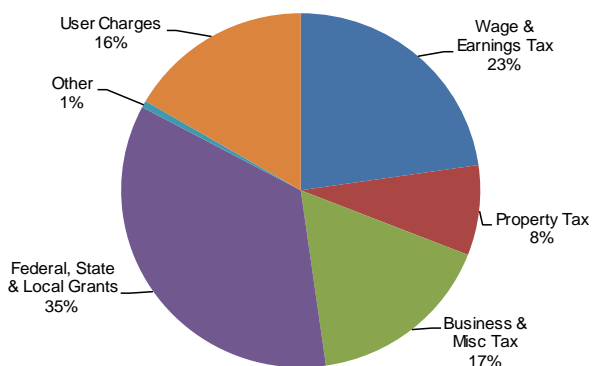


City of Philadelphia's Net Position

(millions of USD)

|                           | Governmental     |                  |                | Business-type  |                |                | Total              |                  |                |
|---------------------------|------------------|------------------|----------------|----------------|----------------|----------------|--------------------|------------------|----------------|
|                           | Activities       |                  | %              | Activities     |                | %              | Primary Government |                  | %              |
|                           | 2021             | 2020             |                | 2021           | 2020           |                | 2021               | 2020             |                |
| Current and other assets  | 4,145.2          | 3,388.3          | 22.33%         | 2,175.3        | 2,225.9        | -2.27%         | 6,320.5            | 5,614.2          | 12.58%         |
| Capital assets            | 2,692.6          | 2,672.0          | 0.79%          | 5,109.2        | 4,930.3        | 3.63%          | 7,801.8            | 7,602.3          | 2.62%          |
| <b>Total assets</b>       | <b>6,837.8</b>   | <b>6,060.3</b>   | <b>12.83%</b>  | <b>7,284.5</b> | <b>7,156.2</b> | <b>1.79%</b>   | <b>14,122.3</b>    | <b>13,216.5</b>  | <b>6.85%</b>   |
| <b>Deferred Outflows</b>  | <b>452.3</b>     | <b>637.9</b>     | <b>-29.10%</b> | <b>98.5</b>    | <b>106.6</b>   | <b>-7.60%</b>  | <b>550.8</b>       | <b>744.5</b>     | <b>-25.14%</b> |
| Long-term liabilities     | 4,912.9          | 4,953.8          | -5.43%         | 4,053.1        | 3,999.5        | 1.34%          | 8,966.0            | 8,953.2          | 0.14%          |
| Other liabilities         | 8,641.8          | 8,875.6          | -0.03%         | 1,196.1        | 1,312.8        | -8.89%         | 9,837.9            | 10,188.5         | -3.44%         |
| <b>Total liabilities</b>  | <b>13,554.7</b>  | <b>13,829.4</b>  | <b>-1.99%</b>  | <b>5,249.2</b> | <b>5,312.3</b> | <b>-1.19%</b>  | <b>18,803.9</b>    | <b>19,141.7</b>  | <b>-1.76%</b>  |
| <b>Deferred Inflows</b>   | <b>793.2</b>     | <b>178.8</b>     | <b>343.62%</b> | <b>109.6</b>   | <b>23.6</b>    | <b>364.41%</b> | <b>902.8</b>       | <b>202.4</b>     | <b>346.05%</b> |
| <b>Net Position:</b>      |                  |                  |                |                |                |                |                    |                  |                |
| Net Investment in         |                  |                  |                |                |                |                |                    |                  |                |
| capital assets            | 655.4            | 538.6            | 21.69%         | 1,509.0        | 1,492.8        | 1.09%          | 2,164.4            | 2,031.5          | 6.55%          |
| Restricted                | 842.6            | 955.0            | -11.77%        | 749.3          | 825.7          | -9.25%         | 1,591.9            | 1,780.7          | -10.60%        |
| Unrestricted              | (8,555.8)        | (8,803.6)        | 2.81%          | (234.0)        | (391.6)        | 40.25%         | (8,789.8)          | (9,195.2)        | 4.41%          |
| <b>Total Net Position</b> | <b>(7,057.8)</b> | <b>(7,310.0)</b> | <b>3.45%</b>   | <b>2,024.3</b> | <b>1,926.9</b> | <b>5.05%</b>   | <b>(5,033.5)</b>   | <b>(5,383.0)</b> | <b>6.49%</b>   |

**Changes in net position.** The City's total revenues for the fiscal year ended June 30, 2021, at \$8,763.8 million, exceed the City's total costs of \$8,408.3 million. Approximately 48% of all revenue came from wage and earnings taxes, property taxes, and business and miscellaneous taxes. Federal, State and Local grants account for another 35%, and the remaining 17% of the revenue comes from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 65% are related to the health, welfare and safety of the general public (See Exhibit II for further breakdown).



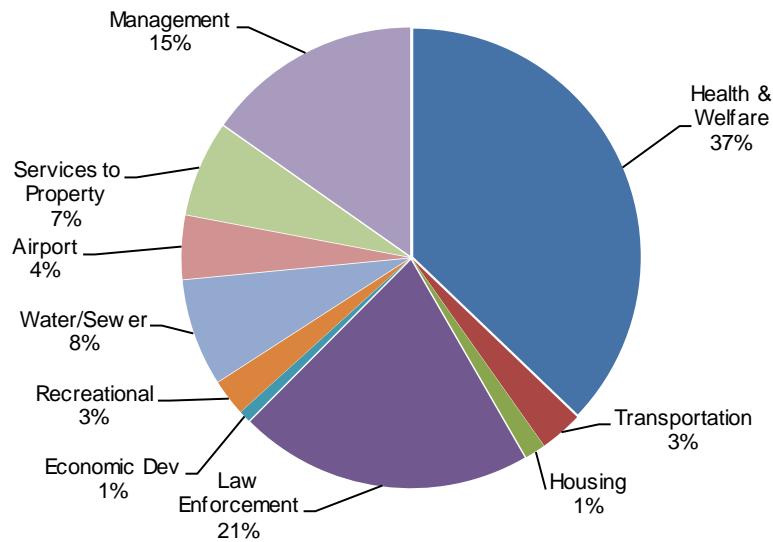
- Total revenues increased by \$85.9 million, and total expenses decreased by (\$303.8) million over last year. This resulted in the Change in Net Position, before prior period adjustments, of \$355.5 million more than in the previous year.
- The City's Operating Grants and Contributions revenue increased by \$378.6 million. The City's Unrestricted Grants revenue increased by \$6.7 million, primarily due to CARES Act funding received by the City. The City's Charges for Goods and Services decreased by (\$88.0) million. The Governmental Activities – Charges for Goods and Services decreased by (\$31.9) million, mainly from a reduction in Business Taxes, Sales Taxes, Amusement Taxes, and Parking Lot Taxes which were directly affected by the COVID 19 pandemic. Additionally, the Business Type Activities - Charges for Goods and Services decreased by (\$56.1) million due to decrease in

Aviation fares and other revenues with the implementation of COVID-19 restrictions. Property taxes increased by \$24.4 million.

- The City's Law Enforcement expenses decreased by (\$331.6) million; mainly due to a (\$56.5) million decrease in Law Enforcement Pension Obligations Bonds expenses, a decrease in Law Enforcement payroll expenses of (\$60.5) million, and a decrease of Law Enforcement Pension expenses of (\$187.2) million. Additionally, for FY20, the City experienced an unusual increase in Law Enforcement expenses due to various civil protest matters, which contributes to the notable variance when compared to the FY21 Law Enforcement expenses.
- The Conservation of Health expenses increased by \$133.5 million due to increase in purchase of services related to COVID-19. The City's General Management and Support expenses increased by \$215.9 million, mainly due to increased CARES Act spending of \$113.5 million, increased legal liabilities of \$63.7 million related to the settlement of lawsuits and other claims and an additional payment to the School District of Philadelphia of \$36.5 million.

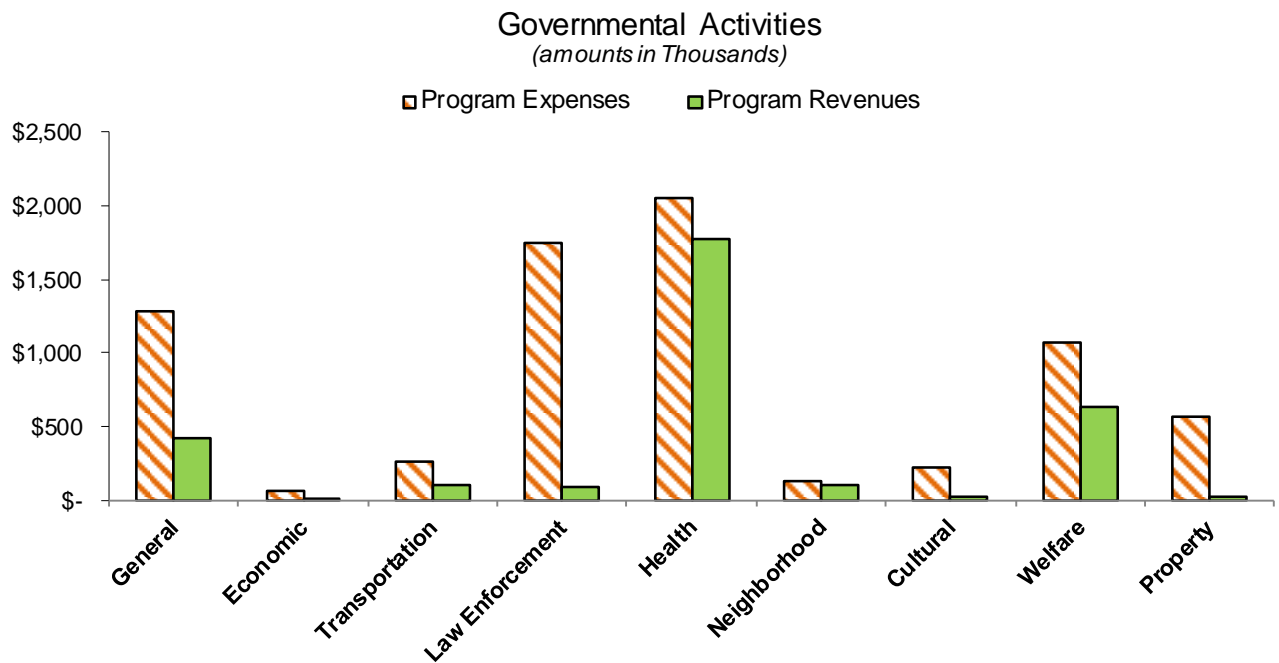
Net positions increased or decreased in the following activities, as noted below:

| <u>Increases (Decreases) in Revenues</u> |               | <u>Increases (Decreases) in Expenses</u> |                  |
|--|---------------|--|------------------|
| Charges for Services                     | (\$88.0)      | Economic Development                     | (\$47.9)         |
| Operating Grants & Contributions         | 378.6         | Transportation                           | (10.0)           |
| Capital Grants & Contributions           | 11.1          | Judicial & Law Enforcement               | (331.6)          |
| Wage & Earnings Taxes                    | (124.4)       | Conservation of Health                   | 133.5            |
| Property Taxes                           | 24.4          | Housing & Neighborhoods                  | (8.0)            |
| Other Taxes                              | (59.4)        | Cultural & Recreational                  | (27.1)           |
| Unrestricted Grants                      | 6.7           | General Welfare                          | 12.2             |
| Unrestricted Interest                    | (63.1)        | Services to Taxpayer Property            | (71.8)           |
| Total Revenues                           | <u>\$85.9</u> | General Management                       | 215.9            |
|  |               | Interest on Long Term Debt               | (36.7)           |
|  |               | Water and Waste Water                    | (75.0)           |
|  |               | Airport                                  | (58.8)           |
|  |               | Industrial Land Bank                     | 1.5              |
|  |               | Special Item - Impairment Loss           | -                |
|  |               | Total Expenses                           | <u>(\$303.8)</u> |



### Governmental Activities

The governmental activities of the City resulted in a \$252.3 million increase in net position before prior period adjustments. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



The following table summarizes the City's most significant governmental programs. Costs, program revenues and net cost are shown in the table. The net cost shows the cost allocation by each of these functions.

| (millions of USD)            | Program           |                   |                | Program           |                   |                | Net               |                   |                |
|------------------------------|-------------------|-------------------|----------------|-------------------|-------------------|----------------|-------------------|-------------------|----------------|
|                              | Costs             |                   |                | Revenues          |                   |                | Cost              |                   |                |
|                              | <u>2021</u>       | <u>2020</u>       | <u>%Change</u> | <u>2021</u>       | <u>2020</u>       | <u>%Change</u> | <u>2021</u>       | <u>2020</u>       | <u>%Change</u> |
| General Welfare              | \$ 1,072.3        | \$ 1,060.1        | 1.2%           | \$ 635.0          | \$ 632.4          | 0.4%           | \$ 437.3          | \$ 359.3          | 21.7%          |
| Judiciary & Law Enforcement  | 1,751.5           | 2,083.1           | -15.9%         | 83.7              | 105.1             | -20.4%         | 1,667.8           | 1,870.6           | -10.8%         |
| Public Health                | 2,049.7           | 1,916.2           | 7.0%           | 1,782.1           | 1,548.4           | 15.1%          | 267.6             | 291.9             | -8.3%          |
| General Governmental         | 1,284.3           | 1,105.1           | 16.2%          | 418.7             | 255.3             | 64.0%          | 865.6             | 674.1             | 28.4%          |
| Services to Property         | 561.8             | 633.6             | -11.3%         | 26.3              | 68.6              | -61.7%         | 535.5             | 560.5             | -4.5%          |
| Housing, Economic & Cultural | 668.2             | 761.3             | -12.2%         | 221.9             | 208.4             | 6.5%           | 446.3             | 524.5             | -14.9%         |
|                              | <u>\$ 7,387.8</u> | <u>\$ 7,559.4</u> | -2.3%          | <u>\$ 3,167.7</u> | <u>\$ 2,818.2</u> | 12.4%          | <u>\$ 4,220.1</u> | <u>\$ 4,741.2</u> | -11.0%         |

The cost of all governmental activities this year was \$7,387.7 million; the amount that taxpayers paid for these programs through tax payments was \$4,185.1 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$2,763.4 million while those who benefited from the programs paid \$404.3 million through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of \$287.1 million. The difference of \$252.3 million represents an increase in net position, as shown in the City of Philadelphia - Net Position table below.

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

**City of Philadelphia-Net Position**

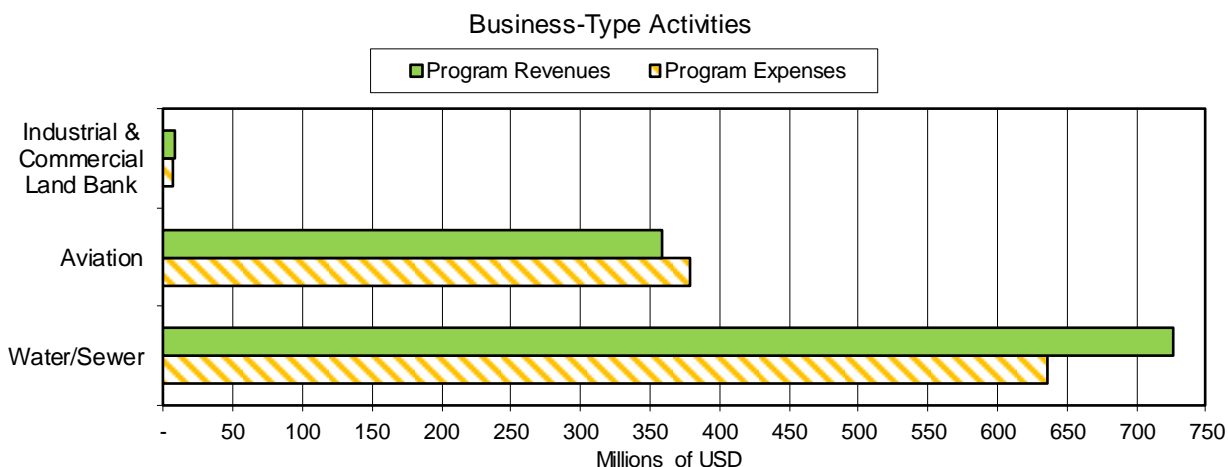
(millions of USD)

|  | Governmental<br>Activities |                     | Business-type<br>Activities |                   | Total               |                     | %<br>Change  |
|--|----------------------------|---------------------|-----------------------------|-------------------|---------------------|---------------------|--------------|
|  | 2021                       | 2020                | 2021                        | 2020              | 2021                | 2020                |              |
| <b>Revenues:</b>   |                            |                     |                             |                   |                     |                     |              |
| Program revenues:  |                            |                     |                             |                   |                     |                     |              |
| Charges for services   | \$ 404.3                   | \$ 436.2            | \$ 1,050.3                  | \$ 1,106.4        | \$ 1,454.6          | \$ 1,542.6          | -5.7%        |
| Operating grants and contributions                               | 2,713.8                    | 2,337.0             | 2.7                         | 0.9               | 2,716.5             | 2,337.9             | 16.2%        |
| Capital grants and contributions                                 | 49.7                       | 44.9                | 40.6                        | 34.3              | 90.3                | 79.2                | 14.0%        |
| General revenues:  |                            |                     |                             |                   |                     |                     |              |
| Wage and earnings taxes  | 1,991.2                    | 2,115.6             | -                           | -                 | 1,991.2             | 2,115.6             | -5.9%        |
| Property taxes   | 720.2                      | 695.8               | -                           | -                 | 720.2               | 695.8               | 3.5%         |
| Other taxes  | 1,473.7                    | 1,533.1             | -                           | -                 | 1,473.7             | 1,533.1             | -3.9%        |
| Unrestricted grants and contributions                            | 197.8                      | 197.3               | 64.4                        | 58.2              | 262.2               | 255.5               | 2.6%         |
| Unrestricted Interest and Misc.                                  | 52.1                       | 69.2                | 3.0                         | 48.7              | 55.1                | 117.9               | -53.3%       |
| <b>Total revenues</b>  | <b>7,602.8</b>             | <b>7,429.1</b>      | <b>1,161.0</b>              | <b>1,248.5</b>    | <b>8,763.8</b>      | <b>8,677.6</b>      | <b>1.0%</b>  |
| <b>Expenses:</b>   |                            |                     |                             |                   |                     |                     |              |
| Economic development   | 70.1                       | 118.0               | -                           | -                 | 70.1                | 118.0               | -40.6%       |
| Transportation   | 256.7                      | 266.7               | -                           | -                 | 256.7               | 266.7               | -3.7%        |
| Judiciary & law enforcement                                      | 1,751.5                    | 2,083.1             | -                           | -                 | 1,751.5             | 2,083.1             | -15.9%       |
| Conservation of health   | 2,049.7                    | 1,916.2             | -                           | -                 | 2,049.7             | 1,916.2             | 7.0%         |
| Housing & neighborhood development                               | 124.0                      | 132.0               | -                           | -                 | 124.0               | 132.0               | -6.1%        |
| Cultural & recreational  | 217.5                      | 244.6               | -                           | -                 | 217.5               | 244.6               | -11.1%       |
| Improvement of the general welfare                               | 1,072.3                    | 1,060.1             | -                           | -                 | 1,072.3             | 1,060.1             | 1.2%         |
| Services to taxpayer property                                    | 561.8                      | 633.6               | -                           | -                 | 561.8               | 633.6               | -11.3%       |
| General management   | 1,162.3                    | 946.5               | -                           | -                 | 1,162.3             | 946.5               | 22.8%        |
| Interest on long term debt                                       | 121.9                      | 158.6               | -                           | -                 | 121.9               | 158.6               | -23.1%       |
| Water & waste water  | -                          | -                   | 636.4                       | 711.4             | 636.4               | 711.4               | -10.5%       |
| Airport  | -                          | -                   | 378.3                       | 437.1             | 378.3               | 437.1               | -13.5%       |
| Industrial land bank   | -                          | -                   | 5.9                         | 4.4               | 5.9                 | 4.4                 | 34.1%        |
| <b>Total expenses</b>  | <b>7,387.8</b>             | <b>7,559.4</b>      | <b>1,020.6</b>              | <b>1,152.9</b>    | <b>8,408.4</b>      | <b>8,712.3</b>      | <b>-3.5%</b> |
| Increase (dec.) in net position before transfers & special items | 215.0                      | (130.3)             | 140.4                       | 95.6              | 355.4               | (34.7)              |              |
| Transfers & Special Items  | 37.2                       | 34.7                | (37.2)                      | (34.7)            | -                   | -                   |              |
| <b>Increase (dec) in Net Position</b>                            | <b>252.2</b>               | <b>(95.6)</b>       | <b>103.2</b>                | <b>60.9</b>       | <b>355.4</b>        | <b>(34.7)</b>       |              |
| Net Position - Beginning   | (7,310.0)                  | (6,910.5)           | 1,927.0                     | 1,881.5           | (5,383.0)           | (5,029.0)           | 7.0%         |
| Adjustment (1)   | -                          | (304.1)             | (5.9)                       | (15.4)            | (5.9)               | (319.5)             |              |
| <b>Net Position - End</b>  | <b>\$ (7,057.8)</b>        | <b>\$ (7,310.2)</b> | <b>\$ 2,024.3</b>           | <b>\$ 1,927.0</b> | <b>\$ (5,033.5)</b> | <b>\$ (5,383.3)</b> | <b>-6.5%</b> |

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

**Business-type Activities**

Business-type activities resulted in a \$103.3 million increase in net position before prior period adjustments. This increase was comprised of an increase in net position for water/wastewater of \$54.3 million, an increase to aviation of \$46.3 million, and an increase for industrial and commercial development operations of \$2.7 million.



### Financial Analysis of the Government's Funds

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

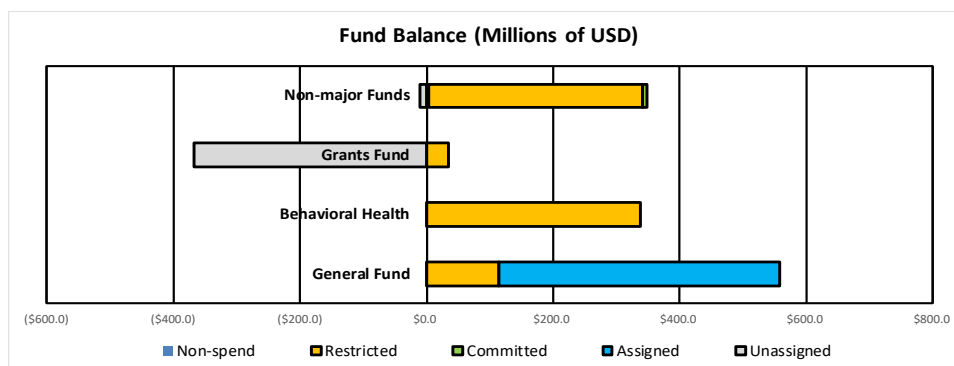
At the end of the fiscal year the City's governmental funds reported a *combined fund balance* of \$900.8 million, a decrease of (\$145.2) million over last year. Of the total fund balance, \$4.0 million represents *non-spendable fund balance*.

In addition, \$824.5 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, for the following purposes:

|  |                 |
|--|-----------------|
| Neighborhood Revitalization            | \$ 0.3          |
| Economic Development                   | 5.8             |
| Public Safety Emergency Phone System   | 35.0            |
| Streets & Highways                     | 59.7            |
| Housing and Neighborhood Development   | 79.0            |
| Health Services                        | 23.3            |
| Behavioral Health                      | 337.1           |
| Parks & Recreation                     | 2.5             |
| Libraries & Museums                    | 3.0             |
| Intergovernmental Financing            | 20.9            |
| Stadium Financing                      | 8.4             |
| Cultural & Commercial Corridor Project | 0.8             |
| Pension Obligation Bonds               | 6.5             |
| Debt Service Reserve                   | 13.0            |
| Capital Projects                       | 112.7           |
| Affordable Housing Project             | -               |
| Art Museum Project                     | 0.4             |
| Rebuild                                | 66.8            |
| Home Repair Program                    | 39.8            |
| Trust Purposes                         | 9.5             |
| <b>Total Restricted Fund Balance</b>   | <b>\$ 824.5</b> |

The fund balance is further broken down as *committed fund balance* for Prisons of \$4.7 million and Parks and Recreation of \$1.5 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of \$376.7 million which constitutes *unassigned fund balance*. This deficit must be funded by future budgets.

The general fund, the primary operating fund of the City, reported an *assigned fund balance* of \$442.7 million and the *unassigned fund balance* remained unchanged from the prior fiscal year.



Overall, the total fund balance of the General Fund increased by \$11.6 million during the current fiscal year, compared to a decrease of (\$70.3) million in the prior fiscal year. Some of the key factors contributing to this change are:

#### Revenues:

- Total current year revenues equal \$4,088.0 million. This marks a (\$237.5) million (5.5%) decrease from the prior fiscal year, which had \$4,325.5 million in revenue.
- This decrease was due primarily to a (\$158.6) million decrease in Tax Revenue and (\$61.0) million decrease in Revenue from Other Governments. The decrease in Tax Revenue was mainly comprised of a decrease in Wage and Earnings Taxes (\$148.4) for FY21.

#### Expenditures and Other Financing Sources (Uses):

Total current year Expenditures and Other Financing Sources (Uses) totaling (\$4,076.4 ) million, decreased between fiscal years, with a (\$319.4) million (-7.3%) decrease from prior fiscal year (\$4,395.8 ) million.

This decrease was primarily due to a (\$12.2) million (-6.5%) decrease in expenditures related to Transportation (Streets & Highways and Mass Transit); and a (\$147.6) million (-7.45%) decrease in expenditures related to Judiciary and Law Enforcement, partly due to decreases in Law Enforcement payroll expenses of \$47.1 million, \$56.5 million due to Law Enforcement's Pension Obligation Bond fringes, and \$17.8 million of Law Enforcement reduced payroll on other fringes. Additionally, during FY20, the City experienced an unusual increase in Law Enforcement expenses due to various civil protest matters, which contributes to the notable variance when compared to the FY21 Law Enforcement expenses; a \$29.8 million (6.0%) increase in expenditures related to General Welfare (Social Services, Education, & Inspections and Demolitions); a (\$19.9) million (-8.9%) decrease in expenditures related to Health Services mainly due to decreases of expenditures related to COVID-19; and a (\$112.6) million (-13.1%) decrease in expenditures related to General Management and Support.

The Health Choices Behavioral Health Fund ended the fiscal year with a total fund balance of \$337.1 million; the entire amount is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by \$46.0 million, mainly as a result of the City's increase in Revenue from Other Governments.

The Grants Revenue Fund has a total fund balance deficit of \$331.5 million which is comprised of a positive restricted fund balance of \$35.0 million for emergency telephone system programs, a positive restricted fund balance of \$0.3 million for Neighborhood Revitalization Programs and a deficit unassigned fund

balance of \$366.8 million. Because most programs accounted for in the Grants Revenue Fund are reimbursement-based, it is not unusual for the Grants Revenue Fund to end the fiscal year with a deficit unassigned fund balance. The overall fund balance of the grants revenue fund experienced an increase of \$50.7 million during the current fiscal year.

**Proprietary funds.** The City's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net position* of the proprietary funds increased by \$97.4 million during the current fiscal year. This increase is attributable to the water/wastewater system, which had an increase of \$48.4 million; airport operations, which had an increase of \$46.3 million; industrial and commercial land bank operations which also had an increase of \$2.7 million.

The proprietary funds reported an *unrestricted net position* deficit of \$234.0 million. The table below indicates the unrestricted net position for the water and wastewater operations, the airport, and the industrial and commercial land bank operations for the current and previous fiscal years.

|                       | Unrestricted Net Position (deficit) |                  |                |
|-----------------------|-------------------------------------|------------------|----------------|
|                       | 2021                                | 2020             | Change         |
| Water and Waste Water | (\$296.1)                           | (\$370.5)        | \$74.4         |
| Aviation              | (\$23.0)                            | (\$103.6)        | \$80.6         |
| Land Bank             | \$85.1                              | \$82.5           | \$2.6          |
|                       | <u>(\$234.0)</u>                    | <u>(\$391.6)</u> | <u>\$157.6</u> |

## General Fund Budgetary Highlights

The following table shows the General Fund's year end fund balance for the five most recent years:

| General Fund<br>at June 30 | (Millions of USD)                              |                        |
|----------------------------|--|------------------------|
|                            | Fund Balance<br>Available for<br>Appropriation | Increase<br>(Decrease) |
| 2021                       | \$ 298.5                                       | \$ 7.9                 |
| 2020                       | 290.7  | (148.0)                |
| 2019                       | 438.7  | 69.9                   |
| 2018                       | 368.8  | 179.6                  |
| 2017                       | 189.2  | 40.9                   |

The General Fund's budgetary fund balance surplus of \$298.5 million differs from the General Fund's fund financial statement unassigned fund balance of \$0.0 by \$298.5 million, which represents the following:

- The unearned portion of the Business Income and Receipts Tax (BIRT prepaids) of \$167.3 million and the Philadelphia Beverage Tax – Unobligated amount of \$154.1 million are received prior to being earned but have no effect on budgeted cash receipts.
- Since governments cannot report a deficit in unassigned fund balance (GASB No. 54, paragraph 15), the resulting (\$22.9) million deficit is reclassified to assigned fund balance.



The charts below illustrate:

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

|   | (Millions of USD) |                  |                  |                  |                  |
|---|-------------------|------------------|------------------|------------------|------------------|
| <b>A. Budget to GAAP Basis Reconciliation</b> | <b>6/30/2021</b>  | <b>6/30/2020</b> | <b>6/30/2019</b> | <b>6/30/2018</b> | <b>6/30/2017</b> |
| Budget Basis Fund Balance                     | \$ 298.5          | \$ 290.7         | \$ 438.7         | \$ 368.8         | \$ 189.2         |
| 1. Less: BIRT six (6) months pre-pays         | \$ (167.3)        | (166.4)          | (192.0)          | (173.8)          | (165.6)          |
| 2. Add: Encumbrances                          | \$ 311.5          | 255.9            | 201.4            | 127.0            | 128.4            |
| 3. Add: Reserves & Budget Stabilization Fund  | \$ 114.4          | 165.3            | 167.7            | 78.9             | 38.1             |
| Modified Accrual Basis Fund Balance           | \$ 557.1          | \$ 545.5         | \$ 615.8         | \$ 400.9         | \$ 190.1         |
| <b>B. Modified Accrual Basis Fund Balance</b> | <b>6/30/2021</b>  | <b>6/30/2020</b> | <b>6/30/2019</b> | <b>6/30/2018</b> | <b>6/30/2017</b> |
| Restricted & Committed                        | \$ 114.4          | \$ 165.3         | \$ 167.7         | \$ 78.9          | \$ 38.1          |
| Assigned                                      |                   |                  |                  |                  |                  |
| Encumbrances                                  | 311.5             | 255.9            | 201.4            | 127.0            | 128.4            |
| * Phila. Beverage Tax - Unobligated           | 154.1             | 138.4            | 120.9            | -                | -                |
| Reclassification of Unassigned                | (22.9)            | (14.1)           | -                | -                | -                |
| Assigned                                      | 442.7             | 380.2            | 322.3            | 127.0            | 128.4            |
| Unassigned                                    | -                 | -                | 125.8            | 195.0            | 23.6             |
| Modified Accrual Basis Fund Balance           | \$ 557.1          | \$ 545.5         | \$ 615.8         | \$ 400.9         | \$ 190.1         |
| <b>C. Budget to GAAP Basis Reconciliation</b> | <b>6/30/2021</b>  | <b>6/30/2020</b> | <b>6/30/2019</b> | <b>6/30/2018</b> | <b>6/30/2017</b> |
| Budget Basis Fund Balance                     | \$ 298.5          | \$ 290.7         | \$ 438.7         | \$ 368.8         | \$ 189.2         |
| 1. Less: BIRT six (6) months pre-pays         | (167.3)           | (166.4)          | (192.0)          | (173.8)          | (165.6)          |
| 2. Less: Reclass to Assigned Fund Balance     | 22.9              | 14.1             | -                | -                | -                |
| 3. Less: Phila Beverage Tax - Unobligated     | (154.1)           | (138.4)          | (120.9)          | -                | -                |
| Unassigned Fund Balance                       | \$ -              | \$ 0.0           | \$ 125.8         | \$ 195.0         | \$ 23.6          |

Differences between the original budget and the final amended budget resulted primarily from a slight increase in revenue estimates and increases to appropriations. Total appropriations increased by \$143.6 million; from an original budget of \$4,804.9 million to a final amended budget of \$4,948.5 million. The largest increases were required to support the following activities:

- \$33.6 million for Police operations
- \$19.6 million for Street maintenance and repair
- \$29.6 million for Fire operations
- \$58.0 million for Managing Director's operations

## Capital Asset and Debt Administration

**Capital assets.** The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to \$7.8 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. The table below shows a breakdown of the City's Capital Improvements over the past five fiscal years.

(millions of USD)

|   | FY 2021         | FY 2020         | FY 2019         | FY 2018         | FY 2017         |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Airport Terminal & Airfield Improvements              | \$ 138.0        | \$ 109.7        | \$ 107.9        | \$ 209.2        | \$ 183.9        |
| Water & Wastewater Improvements                       | 268.0           | 271.1           | 314.9           | 231.2           | 239.3           |
| Streets, Highways & Bridges Improvements              | 71.7            | 55.8            | 51.7            | 27.6            | 43.8            |
| Transit System Improvements                           | 2.9             | 5.6             | 7.3             | 7.3             | 0.8             |
| Parks, Playgrounds, Museums & Recreational Facilities | 27.9            | 25.2            | 42.6            | 63.6            | 38.1            |
| Libraries Improvements                                | 0.3             | 2.1             | 1.1             | 8.8             | 2.3             |
| Police & Fire Facilities                              | 23.3            | 17.7            | 16.7            | 10.9            | 6.7             |
| City Hall & Municipal Buildings Improvements          | 10.8            | 8.4             | 7.2             | 12.8            | 2.0             |
| Computers, Servers, Software & IT Infrastructure      | 18.7            | 43.0            | 18.4            | 16.7            | 15.5            |
| Economic Development                                  | 10.4            | 19.2            | 17.4            | 18.3            | 4.5             |
| Other and Non-Enterprise Vehicles                     | 36.7            | 39.8            | 38.2            | 28.9            | 14.7            |
|   | <u>\$ 608.7</u> | <u>\$ 597.6</u> | <u>\$ 623.4</u> | <u>\$ 635.3</u> | <u>\$ 551.6</u> |

The following table shows the capital assets by category.

**City of Philadelphia's Capital Assets-Net of Depreciation**

(millions of USD)

|                                   | Governmental activities |                 |              | Business-type activities |                 |               | Total           |                 |               |
|-----------------------------------|-------------------------|-----------------|--------------|--------------------------|-----------------|---------------|-----------------|-----------------|---------------|
|                                   | 2021                    | 2020            | Inc/(Dec)    | 2021                     | 2020            | Inc/(Dec)     | 2021            | 2020            | Inc/(Dec)     |
| Land                              | \$ 945                  | \$ 927          | \$ 18        | \$ 237                   | \$ 237          | \$ -          | \$ 1,182        | \$ 1,164        | \$ 18         |
| Fine Arts                         | 1                       | 1               | -            | -                        | -               | -             | 1               | 1               | -             |
| Property Available for Sale       | -                       | -               | -            | -                        | -               | -             | -               | -               | -             |
| Buildings                         | 834                     | 856             | (22)         | 1,788                    | 1,572           | 216           | 2,622           | 2,428           | 194           |
| Improvements other than buildings | 105                     | 103             | 2            | 198                      | 186             | 12            | 303             | 289             | 14            |
| Machinery & equipment             | 201                     | 200             | 1            | 47                       | 50              | (3)           | 248             | 250             | (2)           |
| Infrastructure                    | 523                     | 483             | 40           | 1,830                    | 1,836           | (7)           | 2,353           | 2,319           | 33            |
| Construction in progress          | 3                       | 18              | (15)         | 1,000                    | 1,040           | (41)          | 1,003           | 1,058           | (56)          |
| Transit                           | 36                      | 41              | (5)          | -                        | -               | -             | 36              | 41              | (5)           |
| Intangible Assets                 | 45                      | 43              | 2            | 10                       | 9               | 1             | 55              | 52              | 3             |
| <b>Total</b>                      | <u>\$ 2,693</u>         | <u>\$ 2,672</u> | <u>\$ 21</u> | <u>\$ 5,109</u>          | <u>\$ 4,930</u> | <u>\$ 179</u> | <u>\$ 7,802</u> | <u>\$ 7,602</u> | <u>\$ 200</u> |

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

**Long-term debt.**

At year end, the City had \$9.0 billion in long-term debt outstanding. Of this amount, \$6.0 billion represents bonds outstanding (comprised of \$2.0 billion of debt backed by the full faith and credit of the City, and \$4.0 billion of debt secured solely by specific revenue sources) while \$3.0 billion represents other long-term obligations.

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

**City of Philadelphia's Long Term Debt Outstanding**

(millions of USD)

|  | Governmental<br>activities |                | Business-type<br>activities |                | Total          |                |
|--|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
|  | 2021                       | 2020           | 2021                        | 2020           | 2021           | 2020           |
| <b><u>Bonds Outstanding:</u></b>           |                            |                |                             |                |                |                |
| General obligation bonds                   | 1,950.5                    | 2,091.9        | -                           | -              | 1,950.5        | 2,091.9        |
| Revenue bonds                              | -                          | -              | 4,096.4                     | 3,934.2        | 4,096.4        | 3,934.2        |
| <b>Total Bonds Outstanding</b>             | <b>1,950.5</b>             | <b>2,091.9</b> | <b>4,096.4</b>              | <b>3,934.2</b> | <b>6,046.9</b> | <b>6,026.1</b> |
| <b><u>Other Long Term Obligations:</u></b> |                            |                |                             |                |                |                |
| Service agreements                         | 1,677.3                    | 1,688.7        | -                           | -              | 1,677.3        | 1,688.7        |
| Employee related obligations               | 865.7                      | 815.5          | 73.8                        | 66.5           | 939.5          | 185.2          |
| Indemnities                                | 186.0                      | 118.7          | 5.3                         | 5.2            | 191.3          | 820.7          |
| Leases                                     | 233.4                      | 238.9          | -                           | -              | 233.4          | 238.9          |
| <b>Total Other Long Term Obligations</b>   | <b>2,962.4</b>             | <b>2,861.9</b> | <b>79.1</b>                 | <b>71.7</b>    | <b>3,041.5</b> | <b>2,936.6</b> |
| <b>Total Long Term Debt Outstanding</b>    | <b>4,912.9</b>             | <b>4,953.8</b> | <b>4,175.5</b>              | <b>4,005.9</b> | <b>9,088.4</b> | <b>8,959.7</b> |

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows temporary loan funds to smooth out unevenness in the City's cash flow created by the receipt of two major sources of tax revenue – the Property Tax and the Business Income and Receipts Tax – in the second half of the year. The City borrowed and repaid \$300.0 million in Tax Revenue Anticipation Notes by June 2021 plus interest. In accordance with statute there are no temporary loans outstanding at year end.
- In July 2020, the City issued \$296.6 million of Water and Wastewater Revenue Refunding Bonds; the Water and Wastewater Revenue Refunding Bonds Tax-Exempt, Series 2020A for \$201.5 million and the Water and Wastewater Revenue Refunding Bonds Series (Federally Taxable) 2020B for \$95.0 million. The City issued the bonds to finance (i) capital improvements to the City's Water and Wastewater Systems, including capitalized interest, (ii) the current refunding of the City's outstanding Water and Wastewater Revenue Bonds Variable Rate Series 1997B and the Water and Wastewater Revenue Bonds Series 2010C, (iii) the advance refunding of all or a portion of the City's outstanding Water and Wastewater Revenue Refunding Bonds Series 2011B, Water and Wastewater Revenue Refunding Bonds Series 2012 and Water and Wastewater Revenue Refunding Bonds Series 2013A, (iv) the cost of issuance relating to the Tax-Exempt Bonds and (v) the cost of issuance related to the Taxable Bonds.
- In June 2021, the City issued Water and Wastewater Revenue Refunding Bonds (Federally Taxable) Series 2021B for the amount of \$368.7 million. The City issued the bonds to finance (i) the advance refunding of the City's outstanding Water and Wastewater Revenue Bonds Series 2014A and 2015A, and (ii) the cost of issuance relating to the bonds,
- In October 2020, the City issued Airport Refunding Bonds, Series 2020A, B, & C in the original principal amount of \$389.2 million. The 2020A Bonds were issued for the purpose of providing funds, together with other available moneys, to: (i) refund all of the outstanding Series 2010A Airport Revenue Bonds, and (ii) pay the cost of issuance of the 2020A Bonds. The 2020B Bonds were issued for the purpose of providing funds to (i) refinance certain outstanding Commercial Paper Notes, and (ii) pay the cost of issuance of the 2020B Bonds. The 2020C Bonds were issued for the purpose of providing funds to (i) refund all of the outstanding Series 2010D Airport Revenue Bonds, (ii) refinance certain outstanding Commercial Paper Notes, and (iii) pay the cost of issuance of the 2020C Bonds.

The City's bonds, as rated by Moody's, Standard & Poor's and Fitch are as follows:

| Bond Type                | Moody's Investor Service | Standard & Poor's Corporation | Fitch IBCA |
|--------------------------|--------------------------|-------------------------------|------------|
| General Obligation Bonds | A2                       | A                             | A-         |
| Water Revenue Bonds      | A1                       | A+                            | A+         |
| Aviation Revenue Bonds   | A2                       | A-                            | A          |

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13.50% of the average assessed valuations of properties over the past ten years. As of June 30, 2021, the legal debt limit was \$12,607.9 million. The City has \$2,284.5 million of outstanding tax supported debt leaving a legal debt margin of \$10,323.4 million.

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

### Economic Factors and Next Year's Budgets and Rates

The following factors are key factors to consider when reviewing the City of Philadelphia's budget for the 2021 fiscal year:

- **Fund Balance:** In FY21, the General Fund ended with a fund balance of \$298.5 million, a \$8 million increase from FY20. While this improvement was well above earlier projections for FY21, the fund balance masks several differences in revenues and spending compared to initial estimates.
- **Budgeted Revenue Projections for FY22:** Compared to FY21 unaudited actuals, FY22 Wage and Earnings Tax revenue is projected to increase by 3.55%, Sales Tax revenue is projected to increase by 3.09%, Real Property revenue is projected to increase by 0.27%, and Real Estate Transfer Tax revenue is projected to decline by 1.51%, while the Business Income and Receipts Tax revenue is projected to increase by 0.67%. Under the federal American Rescue Plan Act, the City was awarded \$1.4 Billion of Coronavirus Local Fiscal Recovery Funds. The City will use the entirety of these funds to replace a portion of lost revenues through calendar year 2024 to support critical core services and policy priorities.
- **Wage and Business Tax Cuts.** The FY22-26 Five Year Plan includes Wage Tax reductions that take the City's Wage Tax rates below the level that had been envisioned for FY22 before the pandemic and are the lowest Wage Tax rates for both portions of the tax in 50 years. The residential rate was 4.3010% in FY06 and is currently 3.8398% in FY22 and the non-resident rate is 3.4481% in FY22. By FY26, the projected resident tax rate will drop to 3.8245% while the non-resident rate will drop to 3.4343%. Philadelphia remains committed to improving the business climate and for FY22 opted to allocate additional funds for economic development activities rather than resume BIRT rate reductions to better target relief and support to enterprises that have been historically marginalized and are most in need. Beginning in FY23, the Net Income rate of the BIRT is scheduled to decrease later in the FY22-26 Plan and is projected to drop to 5.5% in FY26. The FY22 rate for gross receipts is 0.1415%.
- **School District of Philadelphia.** As of July 1, 2018, the School District of Philadelphia is governed by a Board of Education, with all of its members appointed by the Mayor. In the FY22 Adopted Budget, the City's direct contribution to the School District from the General Fund is \$255.9 million, which is \$3.3 million higher than the unaudited actual amount for Fiscal Year 2021 (\$252.6 million).

- *Pre-Kindergarten, Community Schools and Rebuild.* In 2016, the Philadelphia Beverage Tax (PBT) was enacted to fund free, quality pre-Kindergarten (pre-K) education for children; expand community schools in high-needs neighborhoods; and launch Rebuild, a capital improvement program for the City's parks, recreation centers, and libraries. In FY21, the City collected approximately \$70.2 million in revenues from the PBT. The FY22-26 Five Year Plan, as revised in October 2021, estimates FY22 collections of \$74.4 million as this tax continues to rebound from COVID-related impacts.
- *Contract Negotiations.* More than 85% of City employees are represented by one of the City's municipal unions.

Before the COVID-19 pandemic, all of the City's unions were covered by bargaining agreements through June 30, 2020. However, at the beginning of the COVID-19 pandemic, the City reached one-year extension agreements with each of the municipal unions to extend the terms of the existing contracts until June 30, 2021. Each of the agreements that expired at the end of FY20 included significant reforms to improve the health of the City's Pension Fund, which put the City on track to achieve its goal of having the City Pension Fund 80% funded by 2029 and 100% funded by 2033. As the one-year extension agreements expired at the end of FY21, the City is working with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal health. Through that hard work, in the first half of FY22, new contracts were reached with District Council 33 and District Council 47, and arbitration awards were issued for, the Fraternal Order of Police, Lodge 5, and the International Association of Firefighters covering the term of July 1, 2021 through June 30, 2024. Negotiations with the Deputy Sheriffs/Register of Wills and Correctional Officer bargaining units remain ongoing. It is likely that additional Labor Reserves will be set aside in the FY23 budget to absorb the costs of the outstanding contracts for the Deputy Sheriffs/Register of Wills and Correctional Officer bargaining units

The table below presents employee wage increases from FY20 to FY24 for each bargaining unit. The shaded cells indicate the most recent contract terms.

| Fiscal Year       | FOP Lodge 5          | Sheriff's Office & Register of Wills (FOP Lodge 5) | IAFF Local 22        | AFSCME DC33 <sup>1</sup> | Correctional Officers (DC33 Local 159) | AFSCME DC47 (Local 2187) | AFSCME DC47 (Local 2186) | Local 810 Court Employees (DC47) |
|-------------------|----------------------|--|----------------------|--------------------------|--|--------------------------|--------------------------|----------------------------------|
| FY20 <sup>2</sup> | 2.5%                 | 2.25% - Sheriff<br>2.0% - ROW                      | 2.5%                 | 2.0%                     | 2.25%                                  | 2.0%                     | 2.0%                     | 2.0%                             |
| FY21              | 2.5% + \$750 Bonus   | 2.25% + \$400 Bonus                                | 2.5%                 | *2% + \$750/\$475 Bonus  | *2% + \$750/\$475 Bonus                | *2% + \$750/\$475 Bonus  | *2% + \$750/\$475 Bonus  | 2.0%                             |
| FY22              | 2.75% + \$1500 Bonus | N/A <sup>3</sup>                                   | 2.75% + \$1500 Bonus | 2.5% + \$1200 Bonus      | N/A <sup>4</sup>                       | 2.5% + \$1200 Bonus      | 2.5% + \$1200 Bonus      | 2.5% + \$1200 Bonus              |
| FY23              | 3.5%                 | N/A  | 3.5%                 | 3.25%                    | N/A                                    | 3.25%                    | 3.25%                    | 3.25%                            |
| FY24              | 3.5%                 | N/A  | 3.5%                 | 3.25%                    | N/A                                    | 3.25%                    | 3.25%                    | 3.25%                            |

<sup>1</sup> District Council 33 including crossing guards.

<sup>2</sup> One-year extension agreements were reached in Spring 2020 with all the City's unions and included wage increases effective May 2020.

\* \$750/\$475 bonus based on onsite/offsite considerations.

<sup>3</sup> The agreement covering the Deputy Sheriff and Register of Wills bargaining unit for the period FY22-FY24 is currently in interest arbitration and wage increased have not been decided yet.

<sup>4</sup> The agreement covering the Correctional Officers bargaining unit for the period of FY22-FY24 is currently in interest arbitration and wage increased have not been decided yet.

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

- *Pension Fund Challenges.* In FY22, pension costs are projected to represent 14.7% of General Fund expenditures. The significant share of costs attributed to pensions, combined with the Pension Fund's current funding status – it is now 51.9% funded – make it clear that the City will not attain fiscal stability until it has solidified the financial condition of the Pension Fund.

In FY22, General Fund pension payments are projected to total \$787.4 million compared to \$664.4 million in FY21. The increase in pension cost is largely due to pension obligation bond restructuring that reduced FY21 costs but requires higher costs in future years, as well as a change in the pension allocation formula among funds that resulted in a higher General Fund contribution.

- *Pension Reforms.* To address this challenge, the Kenney Administration, working with municipal employees, the Pension Board, and City Council, launched a three-pronged approach to improve the health of the Pension Fund to 80% funded by FY29 and 100% funded by FY33.

The first part of the Mayor's pension reform program is a commitment to increasing, over time, the City's annual contribution to the Pension Fund. While a restructuring of the Pension Obligation Bond lowered the City's overall pension cost in FY21 to help the City navigate the dramatic revenue losses due to COVID-19, that bond restructuring had no impact on the City's contribution to the Pension Fund. The General Fund contribution makes up the vast majority of the City's annual contribution to the pension fund, totaling more than \$636.6 million in FY21 (the All Funds total is \$768.6 million). In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying minimum municipal obligation (MMO), the amount required under state law, the City meets its MMO independent of these revenues, so that Sales Tax dollars directed to the Fund will be over and above the MMO. Over the FY22-FY26 Five Year Plan, the Sales Tax revenues due to the Pension Fund are projected to be worth about \$355 million.

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

Third, the Board of Pensions has made significant changes to its investment strategy to reduce costs while improving earnings. The Board is making greater use of indexing, which has lowered management fees by almost \$15 million a year, and has almost entirely divested from hedge funds, as the returns did not justify the fees. Reductions in earnings assumptions allow pension funds to moderate the risk of the investments, which can also reduce the likelihood of losses. In addition, the Pension Board has gradually lowered the assumed rate of return to 7.50% from 8.75% since 2008. Partially as a result of this change in assumed rate of return, the MMO, has increased in recent years. Moreover, the City follows the Revenue Recognition Policy (RRP) to finance the unfunded actuarial liability. Under the RRP, the City provides contributions to the pension fund in excess of the amount required by the MMO.

*Employee Healthcare Costs:* The City will continue to work with its union partners to help address the rising costs of health insurance and promote wellness. The municipal unions each provide benefits for members through union administered Health and Welfare Funds, and the City has minority representation on those boards. Non-union employees are provided benefits through the City Administered Benefits Program (CAP). In FY10, the City moved from a fully-insured model to a self-insurance arrangement. The City also increased employee copays and instituted a disease management and wellness program with financial incentives for completing wellness activities. In FY15,

the City added a tobacco user surcharge and employees pay an additional copay for each prescription if using a pharmacy that sells tobacco products.

### Requests for information

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

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





**Basic  
Financial  
Statements**

**City of Philadelphia**  
**Statement of Net Position**  
**June 30, 2021**

**Exhibit I**

*Amounts in thousands of USD*

|   | Primary Government      |                          |             | Component Units |
|---|-------------------------|--------------------------|-------------|-----------------|
|   | Governmental Activities | Business Type Activities | Total       |                 |
| <b>Assets</b>                               |                         |                          |             |                 |
| Cash on Deposit and on Hand                 | 60,724                  | 30                       | 60,754      | 563,236         |
| Equity in Pooled Cash and Investments       | -                       | -                        | -           | 368,295         |
| Equity in Treasurer's Account               | 2,537,083               | 486,610                  | 3,023,693   | -               |
| Investments                                 | 50,247                  | -                        | 50,247      | 87,959          |
| Due from Component Units                    | 46,206                  | -                        | 46,206      | -               |
| Due from Primary Government                 | -                       | -                        | -           | 101,393         |
| Internal Balances                           | 2,922                   | (2,922)                  | -           | -               |
| Amounts Held by Fiscal Agent                | 114,415                 | -                        | 114,415     | 240,500         |
| Notes Receivable - Net                      | -                       | -                        | -           | 87,655          |
| Accounts Receivable - Net                   | 368,342                 | 168,769                  | 537,111     | 385,282         |
| Interest and Dividends Receivable           | 5,490                   | -                        | 5,490       | 29,901          |
| Due from Other Governments - Net            | 870,830                 | 25,870                   | 896,700     | 429,449         |
| Inventories                                 | 24,596                  | 74,275                   | 98,871      | 187,601         |
| Other Assets                                | 64,427                  | 828                      | 65,255      | 137,094         |
| Restricted Assets:                          |                         |                          |             |                 |
| Cash and Cash Equivalents                   | -                       | 1,054,089                | 1,054,089   | 351,246         |
| Other Assets                                | -                       | 367,740                  | 367,740     | 508,996         |
| Capital Assets:                             |                         |                          |             |                 |
| Land and Other Non-Depreciated Assets       | 948,138                 | 1,236,331                | 2,184,469   | 713,612         |
| Other Capital Assets (Net of Depreciation)  | 1,744,416               | 3,872,841                | 5,617,257   | 4,560,064       |
| Total Capital Assets, Net                   | 2,692,554               | 5,109,172                | 7,801,726   | 5,273,676       |
| Total Assets                                | 6,837,836               | 7,284,461                | 14,122,297  | 8,752,283       |
| <b>Deferred Outflows of Resources</b>       | 452,291                 | 98,541                   | 550,832     | 949,445         |
| <b>Liabilities</b>                          |                         |                          |             |                 |
| Notes Payable                               | 60,767                  | 80,343                   | 141,110     | 33,931          |
| Vouchers Payable                            | 117,414                 | 22,226                   | 139,640     | 100,517         |
| Accounts Payable                            | 346,889                 | 114,070                  | 460,959     | 129,385         |
| Salaries and Payroll Deductions Payable     | 137,231                 | 9,211                    | 146,442     | 339,069         |
| Accrued Expenses                            | 47,422                  | 49,212                   | 96,634      | 132,186         |
| Due to Fiduciary                            | 56,850                  | -                        | 56,850      | -               |
| Due to Primary Government                   | -                       | -                        | -           | 17,500          |
| Due to Component Units                      | 95,972                  | 3,954                    | 99,926      | -               |
| Funds Held in Escrow                        | 61,016                  | 1,637                    | 62,653      | 9,685           |
| Due to Other Governments                    | 3,348                   | -                        | 3,348       | 29,415          |
| Unearned Revenue                            | 1,326,686               | 55,256                   | 1,381,942   | 206,731         |
| Overpayment of Taxes                        | 282,453                 | -                        | 282,453     | 37,520          |
| Other Current Liabilities                   | -                       | 120,819                  | 120,819     | 258,534         |
| Derivative Instrument Liability             | 32,696                  | 2,972                    | 35,668      | -               |
| Long-term Liabilities:                      |                         |                          |             |                 |
| Due within one year                         |                         |                          |             |                 |
| Bonds Payable & Other Long-term Liabilities | 329,963                 | 151,127                  | 481,090     | 425,814         |
| Due in more than one year                   |                         |                          |             |                 |
| Bonds Payable & Other Long-term Liabilities | 4,582,907               | 3,901,937                | 8,484,844   | 5,037,654       |
| Net OPEB Liability                          | 1,857,686               | 230,469                  | 2,088,155   | 587,676         |
| Net Pension Liability                       | 4,215,392               | 505,959                  | 4,721,351   | 4,038,112       |
| Total Liabilities                           | 13,554,692              | 5,249,192                | 18,803,884  | 11,383,729      |
| <b>Deferred Inflows of Resources</b>        | 793,205                 | 109,553                  | 902,758     | 422,150         |
| <b>Net Position</b>                         |                         |                          |             |                 |
| Net Investment in Capital Assets            | 655,433                 | 1,509,032                | 2,164,465   | 1,019,055       |
| Restricted For:                             |                         |                          |             |                 |
| Capital Projects                            | 94,939                  | 257,727                  | 352,666     | 10,952          |
| Debt Service                                | 12,220                  | 366,391                  | 378,611     | 364,861         |
| Pension Oblig Bond Refunding Reserve        | 6,494                   | -                        | 6,494       | -               |
| Behavioral Health                           | 337,087                 | -                        | 337,087     | -               |
| Neighborhood Revitalization                 | 279                     | -                        | 279         | -               |
| Philadelphia Art Museum Project             | 382                     | -                        | 382         | -               |
| Affordable Housing Project                  | 9                       | -                        | 9           | -               |
| Cultural & Commercial Corridor Project      | 942                     | -                        | 942         | -               |
| Rebuild Project                             | 66,793                  | -                        | 66,793      | -               |
| Home Repair Program                         | 39,795                  | -                        | 39,795      | -               |
| Grant Programs                              | 166,055                 | -                        | 166,055     | 72,742          |
| Rate Stabilization                          | -                       | 125,117                  | 125,117     | -               |
| Libraries & Parks:                          |                         |                          |             |                 |
| Expendable                                  | 4,712                   | -                        | 4,712       | -               |
| Non-Expendable                              | 4,027                   | -                        | 4,027       | -               |
| Educational Programs                        | -                       | -                        | -           | 22,106          |
| Other                                       | 108,878                 | -                        | 108,878     | 31,186          |
| Unrestricted(Deficit)                       | (8,555,815)             | (234,010)                | (8,789,825) | (3,625,053)     |
| Total Net Position                          | (7,057,770)             | 2,024,257                | (5,033,513) | (2,104,151)     |

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

City of Philadelphia  
Statement of Activities  
For the Fiscal Year Ended June 30, 2021

Exhibit II

Amounts in thousands of USD

|  |                  |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                    |                    |
|--|------------------|-------------------------|--|--|--|-----------------------------|--------------------|--------------------|
| Functions  | Expenses         | Program Revenues        |  |  | Primary Government                                   |                             |                    | Component<br>Units |
|  |                  | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business Type<br>Activities | Total              |                    |
| <b>Primary Government:</b>                                 |                  |                         |  |  |  |                             |                    |                    |
| Governmental Activities:                                   |                  |                         |  |  |  |                             |                    |                    |
| Economic Development                                       | 70,054           | 132                     | 1,115                                    | -                                      | (68,807)   |                             | (68,807)           |                    |
| Transportation:  |                  |                         |  |  |  |                             |                    |                    |
| Streets & Highways   | 167,162          | 9,906                   | 43,813                                   | 44,870                                 | (68,573)   |                             | (68,573)           |                    |
| Mass Transit   | 89,561           | 1,696                   | 565                                      | -                                      | (87,300)   |                             | (87,300)           |                    |
| Judiciary and Law Enforcement:                             |                  |                         |  |  |  |                             |                    |                    |
| Police   | 1,140,670        | 5,610                   | 10,140                                   | -                                      | (1,124,920)  |                             | (1,124,920)        |                    |
| Prisons  | 289,094          | 388                     | -  | -                                      | (288,706)  |                             | (288,706)          |                    |
| Courts   | 321,716          | 31,723                  | 35,870                                   | -                                      | (254,123)  |                             | (254,123)          |                    |
| Conservation of Health:                                    |                  |                         |  |  |  |                             |                    |                    |
| Emergency Medical Services                                 | 70,996           | -                       | 3,775                                    | -                                      | (67,221)   |                             | (67,221)           |                    |
| Health Services  | 1,978,694        | 67,620                  | 1,710,715                                | -                                      | (200,359)  |                             | (200,359)          |                    |
| Housing and Neighborhood<br>Development                    |                  |                         |  |  |  |                             |                    |                    |
| Development  | 123,966          | 25,287                  | 71,492                                   | -                                      | (27,187)   |                             | (27,187)           |                    |
| Cultural and Recreational:                                 |                  |                         |  |  |  |                             |                    |                    |
| Recreation   | 117,288          | 1,564                   | 6,125                                    | 780                                    | (108,819)  |                             | (108,819)          |                    |
| Parks  | 10,457           | 2,989                   | 14                                       | 2,564                                  | (4,890)  |                             | (4,890)            |                    |
| Libraries and Museums                                      | 89,724           | 1,512                   | 7,523                                    | -                                      | (80,689)   |                             | (80,689)           |                    |
| Improvements to General Welfare:                           |                  |                         |  |  |  |                             |                    |                    |
| Social Services  | 726,774          | 5,749                   | 553,023                                  | -                                      | (168,002)  |                             | (168,002)          |                    |
| Education  | 294,195          | -                       | -  | -                                      | (294,195)  |                             | (294,195)          |                    |
| Inspections and Demolitions                                | 51,326           | 76,189                  | -  | -                                      | 24,863   |                             | 24,863             |                    |
| Service to Property:                                       |                  |                         |  |  |  |                             |                    |                    |
| Sanitation   | 150,217          | 17,123                  | 2,269                                    | -                                      | (130,825)  |                             | (130,825)          |                    |
| Fire   | 411,564          | 3,482                   | 3,437                                    | -                                      | (404,645)  |                             | (404,645)          |                    |
| General Management and Support                             | 1,162,355        | 153,375                 | 263,878                                  | 1,455                                  | (743,647)  |                             | (743,647)          |                    |
| Interest on Long Term Debt                                 | 121,928          | -                       | -  | -                                      | (121,928)  |                             | (121,928)          |                    |
| Total Governmental Activities                              | <u>7,387,741</u> | <u>404,345</u>          | <u>2,713,754</u>                         | <u>49,669</u>                          | <u>(4,219,973)</u>                                   |                             | <u>(4,219,973)</u> |                    |
| Business Type Activities:                                  |                  |                         |  |  |  |                             |                    |                    |
| Water and Sewer  | 636,444          | 715,824                 | 2,748                                    | 8,236                                  | -  | 90,364                      | 90,364             |                    |
| Aviation   | 378,259          | 329,017                 | -  | 29,318                                 | -  | (19,924)                    | (19,924)           |                    |
| Industrial and<br>Commercial Development                   |                  |                         |  |  |  |                             |                    |                    |
| Commercial Development                                     | 5,892            | 5,475                   | -  | 3,063                                  | -  | 2,646                       | 2,646              |                    |
| Total Business Type Activities                             | <u>1,020,595</u> | <u>1,050,316</u>        | <u>2,748</u>                             | <u>40,617</u>                          | <u>-</u>   | <u>73,086</u>               | <u>73,086</u>      |                    |
| Total Primary Government                                   | <u>8,408,336</u> | <u>1,454,661</u>        | <u>2,716,502</u>                         | <u>90,286</u>                          | <u>(4,219,973)</u>                                   | <u>73,086</u>               | <u>(4,146,887)</u> |                    |
| <b>Component Units:</b>                                    |                  |                         |  |  |  |                             |                    |                    |
| Gas Operations   | 493,497          | 630,769                 | 17,300                                   | -                                      |  |                             |                    | 154,572            |
| Housing  | 465,481          | 57,182                  | 487,560                                  | 14,207                                 |  |                             |                    | 93,468             |
| Parking  | 171,579          | 180,687                 | -  | -                                      |  |                             |                    | 9,108              |
| Education  | 4,095,725        | 33,973                  | 1,369,654                                | 500                                    |  |                             |                    | (2,691,598)        |
| Health   | 1,088,265        | -                       | 1,089,286                                | -                                      |  |                             |                    | 1,021              |
| Economic Development                                       | 140,967          | 1,601                   | 81,303                                   | -                                      |  |                             |                    | (58,063)           |
| Total Component Units                                      | <u>6,455,514</u> | <u>904,212</u>          | <u>3,045,103</u>                         | <u>14,707</u>                          |  |                             |                    | <u>(2,491,492)</u> |
| General Revenues:  |                  |                         |  |  |  |                             |                    |                    |
| Taxes:   |                  |                         |  |  |  |                             |                    |                    |
| Property Taxes   |                  |                         |  |  | 720,241  | -                           | 720,241            | 897,402            |
| Wage & Earnings Taxes                                      |                  |                         |  |  | 1,991,204  | -                           | 1,991,204          | -                  |
| Business Taxes   |                  |                         |  |  | 589,761  | -                           | 589,761            | -                  |
| Other Taxes  |                  |                         |  |  | 883,914  | -                           | 883,914            | 452,469            |
| Grants & Contributions Not Restricted to Specific Programs |                  |                         |  |  | 197,848  | 64,398                      | 262,246            | 1,493,272          |
| Unrestricted Interest & Investment Earnings                |                  |                         |  |  | 52,109   | 2,695                       | 54,804             | 608                |
| Miscellaneous  |                  |                         |  |  | -  | 224                         | 224                | 15,532             |
| Special Items - Gain on Sale of Capital Asset              |                  |                         |  |  | -  | -                           | -                  | 4,768              |
| Transfers  |                  |                         |  |  | 37,160   | (37,160)                    | -                  | 65,933             |
| Total General Revenues, Special Items and Transfers        |                  |                         |  |  | <u>4,472,237</u>                                     | <u>30,157</u>               | <u>4,502,394</u>   | <u>2,929,984</u>   |
| Change in Net Position                                     |                  |                         |  |  | 252,264  | 103,243                     | 355,507            | 438,492            |
| Net Position - July 1, 2020                                |                  |                         |  |  |  |                             |                    |                    |
| Adjustment   |                  |                         |  |  | (7,310,034)  | 1,926,938                   | (5,383,096)        | (2,518,160)        |
| Net Position Adjusted - July 1, 2020                       |                  |                         |  |  | -  | (5,924)                     | (5,924)            | (24,483)           |
|  |                  |                         |  |  | <u>(7,310,034)</u>                                   | <u>1,921,014</u>            | <u>(5,389,020)</u> | <u>(2,542,643)</u> |
| Net Position - June 30, 2021                               |                  |                         |  |  |  |                             |                    |                    |
|  |                  |                         |  |  | <u>(7,057,770)</u>                                   | <u>2,024,257</u>            | <u>(5,033,513)</u> | <u>(2,104,151)</u> |

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

City of Philadelphia  
Balance Sheet  
Governmental Funds  
June 30, 2021

Exhibit III

Amounts in thousands of USD

|  | General<br>Fund  | HealthChoices<br>Behavioral<br>Health<br>Fund | Grants<br>Revenue<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|---|---------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>  |                  |   |                           |                                |                                |
| Cash on Deposit and on Hand  | 25,934           | -   | 14,680                    | 20,110                         | 60,724                         |
| Equity in Treasurer's Account  | 1,066,067        | 120,852                                       | 1,010,968                 | 339,196                        | 2,537,083                      |
| Investments  | -                | -   | -                         | 50,247                         | 50,247                         |
| Due from Other Funds   | 7,551            | -   | -                         | 3,869                          | 11,420                         |
| Due from Component Units   | 46,206           | -   | -                         | -                              | 46,206                         |
| Amounts Held by Fiscal Agent   | 114,415          | -   | -                         | -                              | 114,415                        |
| Taxes Receivable   | 513,069          | -   | -                         | 30,630                         | 543,699                        |
| Accounts Receivable  | 392,846          | -   | 1,183                     | 5,592                          | 399,621                        |
| Due from Other Governmental Units  | 5,220            | 303,884                                       | 461,245                   | 100,481                        | 870,830                        |
| Allowance for Doubtful Accounts  | (559,229)        | -   | -                         | (16,696)                       | (575,925)                      |
| Interest and Dividends Receivable  | 3,078            | 201   | -                         | 11                             | 3,290                          |
| Other Assets   | -                | -   | -                         | 593                            | 593                            |
| Total Assets   | <u>1,615,157</u> | <u>424,937</u>                                | <u>1,488,076</u>          | <u>534,033</u>                 | <u>4,062,203</u>               |
| <b>Liabilities</b>   |                  |   |                           |                                |                                |
| Vouchers Payable   | 64,442           | 279   | 38,152                    | 14,541                         | 117,414                        |
| Accounts Payable   | 89,887           | 9,208   | 192,816                   | 54,827                         | 346,738                        |
| Salaries and Payroll Deductions Payable                                    | 128,521          | 2   | 8,252                     | 456                            | 137,231                        |
| Payroll Taxes Payable  | -                | -   | -                         | 151                            | 151                            |
| Due to Other Funds   | 56,776           | -   | 74                        | 7,551                          | 64,401                         |
| Due to Component Units   | 2,054            | 78,361  | 3,618                     | 11,939                         | 95,972                         |
| Funds Held in Escrow   | 41,295           | -   | 14,555                    | 5,166                          | 61,016                         |
| Due to Other Governmental Units  | 3,348            | -   | -                         | -                              | 3,348                          |
| Unearned Revenue   | 173,158          | -   | 1,142,992                 | 10,536                         | 1,326,686                      |
| Overpayment of Taxes   | 282,453          | -   | -                         | -                              | 282,453                        |
| Total Liabilities  | <u>841,934</u>   | <u>87,850</u>                                 | <u>1,400,459</u>          | <u>105,167</u>                 | <u>2,435,410</u>               |
| <b>Deferred Inflows of Resources</b>                                       | <u>216,114</u>   | <u>-</u>                                      | <u>419,140</u>            | <u>90,695</u>                  | <u>725,949</u>                 |
| <b>Fund Balances</b>   |                  |   |                           |                                |                                |
| Nonspendable   | -                | -   | -                         | 4,027                          | 4,027                          |
| Restricted   | 114,416          | 337,087                                       | 35,231                    | 337,858                        | 824,592                        |
| Committed  | -                | -   | -                         | 6,253                          | 6,253                          |
| Assigned   | 442,693          | -   | -                         | -                              | 442,693                        |
| Unassigned   | -                | -   | (366,754)                 | (9,967)                        | (376,721)                      |
| Total Fund Balances  | <u>557,109</u>   | <u>337,087</u>                                | <u>(331,523)</u>          | <u>338,171</u>                 | <u>900,844</u>                 |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <u>1,615,157</u> | <u>424,937</u>                                | <u>1,488,076</u>          | <u>534,033</u>                 |                                |

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

|   |                    |
|---|--------------------|
| a. Capital Assets used in governmental activities are not reported in the funds               | 2,692,554          |
| b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds             | 725,949            |
| c. Long Term Liabilities, including bonds payable are not reported in the funds               | (4,912,870)        |
| d. Derivatives and Deferred Outflows of Resources are not reported in the funds               | 419,595            |
| e. Other  | (17,559)           |
| f. Net Pension & OPEB Liabilities are not reported in the funds                               | (6,073,078)        |
| g. Deferred Inflows (with the exception of Unavailable Revenue) are not reported in the funds | (793,205)          |
| Net Position of Governmental Activities   | <u>(7,057,770)</u> |

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

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

**Exhibit IV**

*Amounts in thousands of USD*

|  | General<br>Fund | HealthChoices<br>Behavioral<br>Health<br>Fund | Grants<br>Revenue<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------|---|---------------------------|--------------------------------|--------------------------------|
| <b><u>Revenues</u></b>                                       |                 |   |                           |                                |                                |
| Tax Revenue  | 3,422,937       | -   | -                         | 750,547                        | 4,173,484                      |
| Locally Generated Non-Tax Revenue                            | 345,535         | 754   | 64,214                    | 26,003                         | 436,506                        |
| Revenue from Other Governments                               | 301,571         | 1,215,730                                     | 1,255,258                 | 142,607                        | 2,915,166                      |
| Other Revenues   | 17,940          | -   | -                         | 1,361                          | 19,301                         |
| Total Revenues   | 4,087,983       | 1,216,484                                     | 1,319,472                 | 920,518                        | 7,544,457                      |
| <b><u>Expenditures</u></b>                                   |                 |   |                           |                                |                                |
| Current Operating:   |                 |   |                           |                                |                                |
| Economic Development   | 34,832          | -   | 1,246                     | 21,986                         | 58,064                         |
| Transportation:  | -               | -   | -                         | -                              | -                              |
| Streets & Highways   | 91,389          | -   | 3,237                     | 37,727                         | 132,353                        |
| Mass Transit   | 84,608          | -   | 565                       | -                              | 85,173                         |
| Judiciary and Law Enforcement:                               | -               | -   | -                         | -                              | -                              |
| Police   | 1,215,075       | -   | 8,028                     | -                              | 1,223,103                      |
| Prisons  | 304,798         | -   | -                         | 799                            | 305,597                        |
| Courts   | 313,238         | -   | 30,397                    | -                              | 343,635                        |
| Conservation of Health:                                      | -               | -   | -                         | -                              | -                              |
| Emergency Medical Services                                   | 75,298          | -   | 3,775                     | -                              | 79,073                         |
| Health Services  | 203,140         | 1,170,469                                     | 424,851                   | 185,267                        | 1,983,727                      |
| Housing and Neighborhood<br>Development                      | 20,208          | -   | 18,895                    | 84,849                         | 123,952                        |
| Cultural and Recreational:                                   | -               | -   | -                         | -                              | -                              |
| Recreation   | 107,992         | -   | 6,208                     | -                              | 114,200                        |
| Parks  | -               | -   | 14                        | 2,497                          | 2,511                          |
| Libraries and Museums  | 83,732          | -   | 6,975                     | 170                            | 90,877                         |
| Improvements to General Welfare:                             | -               | -   | -                         | -                              | -                              |
| Social Services  | 174,304         | -   | 552,166                   | -                              | 726,470                        |
| Education  | 294,195         | -   | -                         | -                              | 294,195                        |
| Inspections and Demolitions                                  | 54,706          | -   | -                         | -                              | 54,706                         |
| Service to Property:   | -               | -   | -                         | -                              | -                              |
| Sanitation   | 155,951         | -   | 604                       | 3,059                          | 159,614                        |
| Fire   | 459,534         | -   | 3,641                     | -                              | 463,175                        |
| General Management and Support                               | 745,612         | -   | 244,038                   | 64,176                         | 1,053,826                      |
| Capital Outlay   | -               | -   | -                         | 219,871                        | 219,871                        |
| Debt Service:  |                 |   |                           |                                |                                |
| Principal  | 98,592          | -   | -                         | 115,375                        | 213,967                        |
| Interest   | 25,522          | -   | -                         | 88,943                         | 114,465                        |
| Bond Issuance Cost   | 1,603           | -   | -                         | -                              | 1,603                          |
| Total Expenditures   | 4,544,329       | 1,170,469                                     | 1,304,640                 | 824,719                        | 7,844,157                      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (456,346)       | 46,015  | 14,832                    | 95,799                         | (299,700)                      |
| <b><u>Other Financing Sources (Uses)</u></b>                 |                 |   |                           |                                |                                |
| Issuance of Refunding Debt                                   | 136,990         | -   | -                         | -                              | 136,990                        |
| Bond Defeasance  | -               | -   | -                         | 374                            | 374                            |
| Payment to Refunded Bonds Escrow Agent                       | (19,972)        | -   | -                         | -                              | (19,972)                       |
| Transfers In   | 570,600         | -   | -                         | 293,561                        | 864,161                        |
| Transfers Out  | (219,692)       | -   | (65,545)                  | (541,764)                      | (827,001)                      |
| Total Other Financing Sources (Uses)                         | 467,926         | -   | (65,545)                  | (247,829)                      | 154,552                        |
| Net Change in Fund Balance                                   | 11,580          | 46,015  | (50,713)                  | (152,030)                      | (145,148)                      |
| Fund Balance - July 1, 2020                                  | 545,529         | 291,072                                       | (280,810)                 | 490,201                        | 1,045,992                      |
| Adjustment   | -               | -   | -                         | -                              | -                              |
| Fund Balance Adjusted - July 1, 2020                         | 545,529         | 291,072                                       | (280,810)                 | 490,201                        | 1,045,992                      |
| Fund Balance - June 30, 2021                                 | 557,109         | 337,087                                       | (331,523)                 | 338,171                        | 900,844                        |

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

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

**Exhibit V**

*Amounts in thousands of USD*

**Net Change in Fund Balances - Total Governmental Funds.....** (145,148)

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

- a. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (208,664) exceeded depreciation (181,154) in the current period..... 27,510
- b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..... 63,648
- c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which the repayments (274,605) exceeded the proceeds (136,990)..... 137,615
- d. The increase in the Net Pension Liability and Net OPEB Liability reported in the statement of activities does not require the use of current financial resources and therefore is not reported as and expenditure in governmental funds..... 288,492
- e. Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds..... (119,853)
- f. Proceeds from the disposition of capital assets is revenue in the governmental funds but decreases capital assets in the statement of net position..... -

**Change in Net Position of governmental activities.....** 252,264

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

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

Exhibit VI

Amounts in thousands of USD

| Business Type Activities - Enterprise Funds          |                    |             |  |             |
|--|--------------------|-------------|--|-------------|
|  | Water and<br>Sewer | Aviation    | Other Non-Major<br>Industrial &<br>Commercial<br>Development | Total       |
| <b>Assets</b>  |                    |             |  |             |
| Current Assets:                                      |                    |             |  |             |
| Cash on Deposit and on Hand                          | 30                 | -           | -  | 30          |
| Equity in Treasurer's Account                        | 170,589            | 305,776     | 10,245   | 486,610     |
| Due from Other Governments                           | -                  | 243         | 25,627   | 25,870      |
| Accounts Receivable                                  | 163,727            | 19,888      | -  | 183,615     |
| Allowance for Doubtful Accounts                      | (14,833)           | (13)        | -  | (14,846)    |
| Inventories  | 20,086             | 4,955       | 49,234   | 74,275      |
| Other Assets   | 828                | -           | -  | 828         |
| Total Current Assets                                 | 340,427            | 330,849     | 85,106   | 756,382     |
| Non-Current Assets:                                  |                    |             |  |             |
| Restricted Assets:                                   |                    |             |  |             |
| Equity in Treasurer's Account                        | 572,247            | 481,842     | -  | 1,054,089   |
| Sinking Funds and Reserves                           | 206,024            | 130,913     | -  | 336,937     |
| Grants for Capital Purposes                          | -                  | 19,589      | -  | 19,589      |
| Receivables  | 643                | 10,571      | -  | 11,214      |
| Total Restricted Assets                              | 778,914            | 642,915     | -  | 1,421,829   |
| Capital Assets:                                      |                    |             |  |             |
| Land   | 5,969              | 230,643     | -  | 236,612     |
| Infrastructure                                       | 2,823,414          | 1,295,029   | -  | 4,118,443   |
| Construction in Progress                             | 620,765            | 378,954     | -  | 999,719     |
| Buildings and Equipment                              | 2,096,466          | 2,555,232   | -  | 4,651,698   |
| Less: Accumulated Depreciation                       | (2,629,579)        | (2,267,721) | -  | (4,897,300) |
| Total Capital Assets, Net                            | 2,917,035          | 2,192,137   | -  | 5,109,172   |
| Total Non-Current Assets                             | 3,695,949          | 2,835,052   | -  | 6,531,001   |
| Total Assets   | 4,036,376          | 3,165,901   | 85,106   | 7,287,383   |
| <b>Deferred Outflows of Resources</b>                | 80,267             | 18,274      | -  | 98,541      |
| <b>Liabilities</b>                                   |                    |             |  |             |
| Current Liabilities:                                 |                    |             |  |             |
| Vouchers Payable                                     | 8,569              | 13,657      | -  | 22,226      |
| Accounts Payable                                     | 11,335             | -           | -  | 11,335      |
| Salaries and Payroll Deductions Payable              | 5,216              | 3,995       | -  | 9,211       |
| Construction Contracts Payable                       | 57,224             | 45,511      | -  | 102,735     |
| Due to Other Funds                                   | 2,922              | -           | -  | 2,922       |
| Due to Component Units                               | 2,882              | 1,072       | -  | 3,954       |
| Accrued Expenses                                     | 21,495             | 27,717      | -  | 49,212      |
| Funds Held in Escrow                                 | 1,637              | -           | -  | 1,637       |
| Unearned Revenue                                     | 13,528             | 41,728      | -  | 55,256      |
| Commercial Paper Notes                               | -                  | 80,343      | -  | 80,343      |
| Bonds Payable-Current                                | 89,042             | 62,085      | -  | 151,127     |
| Other Current Liabilities                            | 2,779              | 118,040     | -  | 120,819     |
| Total Current Liabilities                            | 216,629            | 394,148     | -  | 610,777     |
| Derivative Instrument Liability                      | -                  | 2,972       | -  | 2,972       |
| Net OPEB Liability                                   | 157,204            | 73,265      | -  | 230,469     |
| Net Pension Liability                                | 333,064            | 172,895     | -  | 505,959     |
| Non-Current Liabilities:                             |                    |             |  |             |
| Bonds Payable, net of Unamortized Premiums/Discounts | 2,411,861          | 1,415,412   | -  | 3,827,273   |
| Other Non-Current Liabilities                        | 49,872             | 24,792      | -  | 74,664      |
| Total Non-Current Liabilities                        | 2,461,733          | 1,440,204   | -  | 3,901,937   |
| Total Liabilities                                    | 3,168,630          | 2,083,484   | -  | 5,252,114   |
| <b>Deferred Inflows of Resources</b>                 | 72,875             | 36,678      | -  | 109,553     |
| <b>Net Position</b>                                  |                    |             |  |             |
| Net Investment in Capital Assets                     | 643,531            | 865,501     | -  | 1,509,032   |
| Restricted For:                                      |                    |             |  |             |
| Capital Projects                                     | 196,410            | 61,317      | -  | 257,727     |
| Debt Service   | 206,170            | 160,221     | -  | 366,391     |
| Rate Stabilization                                   | 125,117            | -           | -  | 125,117     |
| Unrestricted   | (296,090)          | (23,026)    | 85,106   | (234,010)   |
| Total Net Position                                   | 875,138            | 1,064,013   | 85,106   | 2,024,257   |

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 VII**

*Amounts in thousands of USD*

|  | Business-Type Activities - Enterprise Funds |                  |  | <u>Totals</u>    |
|--|---|------------------|--|------------------|
|  | <u>Water and Sewer</u>                      | <u>Aviation</u>  | <u>Other Non-Major Industrial &amp; Commercial Development</u> |                  |
| Operating Revenues:                            |   |                  |  |                  |
| Charges for Goods and Services                 | 703,048                                     | 89,660           | -  | 792,708          |
| Rentals and Concessions                        | -   | 190,531          | -  | 190,531          |
| Operating Grants                               | 2,748                                       | -                | -  | 2,748            |
| Miscellaneous Operating Revenues               | 12,776                                      | 8,233            | 5,475  | 26,484           |
| <b>Total Operating Revenues</b>                | <b>718,572</b>                              | <b>288,424</b>   | <b>5,475</b>   | <b>1,012,471</b> |
| Operating Expenses:                            |   |                  |  |                  |
| Personal Services                              | 151,540                                     | 74,137           | -  | 225,677          |
| Purchase of Services                           | 95,875                                      | 89,510           | -  | 185,385          |
| Materials and Supplies                         | 35,235                                      | 3,345            | -  | 38,580           |
| Employee Benefits                              | 125,182                                     | 49,041           | -  | 174,223          |
| Indemnities and Taxes                          | 3,233                                       | 5,363            | -  | 8,596            |
| Depreciation                                   | 134,748                                     | 106,539          | -  | 241,287          |
| Cost of Goods Sold                             | -   | -                | 5,892  | 5,892            |
| <b>Total Operating Expenses</b>                | <b>545,813</b>                              | <b>327,935</b>   | <b>5,892</b>   | <b>879,640</b>   |
| <b>Operating Income (Loss)</b>                 | <b>172,759</b>                              | <b>(39,511)</b>  | <b>(417)</b>   | <b>132,831</b>   |
| Non-Operating Revenues (Expenses):             |   |                  |  |                  |
| Federal, State and Local Grants                | -   | 64,398           | -  | 64,398           |
| Passenger and Customer Facility Charges        | -   | 40,593           | -  | 40,593           |
| Interest Income                                | 1,095                                       | 1,591            | 9  | 2,695            |
| Debt Service - Interest                        | (70,560)                                    | (50,324)         | -  | (120,884)        |
| Other Revenue (Expenses)                       | (20,071)                                    | 224              | -  | (19,847)         |
| <b>Total Non-Operating Revenues (Expenses)</b> | <b>(89,536)</b>                             | <b>56,482</b>    | <b>9</b>   | <b>(33,045)</b>  |
| Income (Loss) Before Contributions & Transfers | 83,223                                      | 16,971           | (408)  | 99,786           |
| Transfers In/(Out)                             | (37,160)                                    | -                | -  | (37,160)         |
| Capital Contributions                          | 8,236                                       | 29,318           | 3,063  | 40,617           |
| <b>Change in Net Position</b>                  | <b>54,299</b>                               | <b>46,289</b>    | <b>2,655</b>   | <b>103,243</b>   |
| Net Position - July 1, 2020                    | 826,763                                     | 1,017,724        | 82,451   | 1,926,938        |
| Adjustment                                     | (5,924)                                     | -                | -  | (5,924)          |
| <b>Net Position Adjusted - July 1, 2020</b>    | <b>820,839</b>                              | <b>1,017,724</b> | <b>82,451</b>  | <b>1,921,014</b> |
| <b>Net Position - June 30, 2021</b>            | <b>875,138</b>                              | <b>1,064,013</b> | <b>85,106</b>  | <b>2,024,257</b> |

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



City of Philadelphia  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2021

Exhibit VIII

Amounts in thousands of USD

|   | Business Type Activities - Enterprise Funds |           |   |           |
|---|---|-----------|---|-----------|
|   | Water and<br>Sewer                          | Aviation  | Other<br>Non-Major<br>Industrial &<br>Commercial<br>Development | Totals    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |           |   |           |
| Receipts from Customers   | 727,405                                     | 275,709   | -   | 1,003,114 |
| Payments to Suppliers   | (145,662)                                   | (89,959)  | -   | (235,621) |
| Payments to Employees   | (295,781)                                   | (131,209) | -   | (426,990) |
| Internal Activity-Payments to Other Funds   | -   | (7,526)   | -   | (7,526)   |
| Claims Paid   | (3,233)                                     | -         | -   | (3,233)   |
| Other Receipts (Payments)   | -   | 1,344     | -   | 1,344     |
| Net Cash Provided (Used)  | 282,729                                     | 48,359    | -   | 331,088   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |           |   |           |
| Operating Grants Received   | 2,748                                       | 65,093    | -   | 67,841    |
| Operating Subsidies and Transfers from/(to) Other Funds   | (34,574)                                    | -         | -   | (34,574)  |
| Net Cash Provided (Used)  | (31,826)                                    | 65,093    | -   | 33,267    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |   |           |   |           |
| Proceeds from Debt Issuance   | 200,000                                     | 851,626   | -   | 1,051,626 |
| Capital Grants & Contributions Received   | -   | 22,176    | -   | 22,176    |
| Acquisition and Construction of Capital Assets  | (269,989)                                   | (124,161) | -   | (394,150) |
| Interest Paid on Debt Instruments   | (98,341)                                    | (65,706)  | -   | (164,047) |
| Principal Paid on Debt Instruments  | (87,837)                                    | (880,549) | -   | (968,386) |
| Passenger Facility Charges  | -   | 34,494    | -   | 34,494    |
| Other Receipts (Payments)   | 356   | 165       | -   | 521       |
| Net Cash Provided (Used)  | (255,811)                                   | (161,955) | -   | (417,766) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |           |   |           |
| Proceeds from Sale and Maturities of Investments  | -   | 26,848    | -   | 26,848    |
| Interest and Dividends on Investments   | 1,420                                       | 1,988     | 9   | 3,417     |
| Net Cash Provided (Used)  | 1,420                                       | 28,836    | 9   | 30,265    |
| Net Increase (Decrease) in Cash and Cash Equivalents  | (3,488)                                     | (19,666)  | 9   | (23,146)  |
| Cash and Cash Equivalents, July 1<br>(including \$545.0 mil for Water & Sewer and<br>\$576.1 mil for Aviation reported in restricted accounts)  | 746,355                                     | 807,284   | -   | 1,553,639 |
| Cash and Cash Equivalents, June 30<br>(including \$613.9 mil for Water & Sewer and<br>\$563.9 mil for Aviation reported in restricted accounts) | 742,867                                     | 787,618   | 9   | 1,530,493 |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities:</b>                                       |   |           |   |           |
| Operating Income (Loss)   | 172,759                                     | (39,511)  | (417)   | 132,831   |
| Adjustments to Reconcile Operating Income to Net Cash<br>Provided (Used) by Operating Activities:   |   |           |   |           |
| Depreciation Expense  | 134,748                                     | 106,538   | -   | 241,286   |
| Bad Debts, Net of Recoveries  | -   | -         | -   | -         |
| Changes in Assets and Liabilities:  |   |           |   |           |
| Receivables, Net  | 7,158                                       | 22,052    | (5,103)   | 24,107    |
| Unearned Revenue  | 1,675                                       | (33,422)  | -   | (31,747)  |
| Inventories   | (2,950)                                     | 556       | 5,520   | 3,126     |
| Accounts and Other Payables   | (10,525)                                    | (7,854)   | -   | (18,379)  |
| Accrued Expenses  | (20,136)                                    | -         | -   | (20,136)  |
| Net Cash Provided by Operating Activities   | 282,729                                     | 48,359    | -   | 331,088   |
| <b>Schedule of non-cash capital activities:</b>   |   |           |   |           |
| Contributions of capital assets   | -   | -         | -   | -         |

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

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

**Exhibit IX**

*Amounts in thousands of USD*

|   | Pension Trust<br>Funds (Fiduciary<br>Component Units) | Custodial<br>Funds |
|---|---|--------------------|
| <b><u>Assets</u></b>  |   |                    |
| Cash on Deposit and on Hand                                   | 23,797  | 130,817            |
| Equity in Treasurer's Account                                 | 8,006,347   | 5,190              |
| Investments   | -   | 2,471              |
| Securities Lending Collective Investment Pool                 | 210,011   | -                  |
| Allowance for Unrealized Loss                                 | 1   | -                  |
| Accounts Receivable   | 5,473   | -                  |
| Due from Brokers for Securities Sold                          | 194,687   | -                  |
| Interest and Dividends Receivable                             | 1,442   | -                  |
| Due from Other Governmental Units                             | 6,528   | -                  |
| Due from Other Funds  | 55,205  | 699                |
|   | <hr/>   | <hr/>              |
| Total Assets  | 8,503,491   | 139,177            |
|   | <hr/>   | <hr/>              |
| <b><u>Liabilities</u></b>                                     |   |                    |
| Vouchers Payable  | 52  | 128                |
| Accounts Payable  | 52  | -                  |
| Salaries and Wages Payable                                    | 193   | -                  |
| Funds Held in Escrow  | -   | 10,148             |
| Due on Return of Securities Loaned                            | 210,012   | -                  |
| Due to Brokers for Securities Purchased                       | 190,654   | -                  |
| Accrued Expenses  | 3,606   | -                  |
| Other Liabilities   | 397   | -                  |
|   | <hr/>   | <hr/>              |
| Total Liabilities   | 404,966   | 10,276             |
|   | <hr/>   | <hr/>              |
| <b><u>Net Position</u></b>                                    |   |                    |
| Net Position Restricted for Pensions                          | 8,098,525   | -                  |
| Restricted for Individuals, Organizations & Other Governments | -   | 128,901            |
|   | <hr/>   | <hr/>              |
| Total Net Position  | 8,098,525   | 128,901            |
|   | <hr/>   | <hr/>              |

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

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

Exhibit X

Amounts in thousands of USD

|  | Pension Trust<br>Funds (Fiduciary<br>Component Units) | Custodial<br>Funds |
|--|---|--------------------|
| <b>Additions:</b>  |   |                    |
| Contributions:   |   |                    |
| Employers' Contributions   | 818,211   | -                  |
| Employees' Contributions   | 112,880   | -                  |
| Total Contributions  | 931,091   | -                  |
| Investment Income:   |   |                    |
| Interest and Dividends   | 141,107   | -                  |
| Net Gain in Fair Value of Investments                                  | 1,665,642   | -                  |
| (Less) Investments Expenses  | (8,702)   | -                  |
| Securities Lending Revenue   | 1,257   | -                  |
| Securities Lending Unrealized Gain                                     | -   | -                  |
| (Less) Securities Lending Expenses                                     | (187)   | -                  |
| Net Investment Gain  | 1,799,117   | -                  |
| Other Income:  |   |                    |
| Collection of Human Services fees, contributions, and holdings         | -   | 3,389              |
| Collection of Judicial charges, fees, and holdings                     | -   | 41,342             |
| Collection of prisoner holdings  | -   | 9,846              |
| Collection of recording fees for other governments                     | -   | 6,661              |
| Collection of Sheriff and Police forfeitures, seizures, and holdings   | -   | 52,087             |
| Collection of unclaimed monies   | -   | 470                |
| Miscellaneous Operating Revenues                                       | 213   | -                  |
| Total Other Income   | 213   | 113,795            |
| Total Additions  | 2,730,421   | 113,795            |
| <b>Deductions</b>  |   |                    |
| Personal Services  | 3,963   | -                  |
| Purchase of Services   | 1,432   | -                  |
| Materials and Supplies   | 37  | -                  |
| Employee Benefits  | 4,191   | -                  |
| Pension Benefits   | 940,250   | -                  |
| Refunds of Members' Contributions                                      | 7,841   | -                  |
| Administrative Expenses Paid   | 217   | -                  |
| Other Operating Expenses   | 86  | -                  |
| Distribution of Human Service fees, contributions and holdings         | -   | 3,389              |
| Distribution of Judicial charges, fees, and holdings                   | -   | 20,706             |
| Distribution of prisoner holdings                                      | -   | 9,846              |
| Distribution of recording fees for other governments                   | -   | 6,661              |
| Distribution of Sheriff and Police forfeitures, seizures, and holdings | -   | 54,106             |
| Distribution of unclaimed monies                                       | -   | 470                |
| Total Deductions   | 958,017   | 95,178             |
| Change in Net Position   | 1,772,404   | 18,617             |
| Net Position - July 1, 2020  | 6,326,121   | -                  |
| Prior Period Adjustment  | -   | 110,285            |
| Net Position Adjusted - July 1, 2020                                   | 6,326,121   | 110,285            |
| Net Position - June 30, 2021   | 8,098,525   | 128,902            |

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

| 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       |
| <b>Assets</b>                              |                         |                                 |                                      |                                 |                                 |                                   |                              |  |             |
| Cash on Deposit and on Hand                | 158,265                 | 226,007                         | 44,578                               | 58,416                          | 2                               | 23,655                            | 18,415                       | 33,888   | 563,236     |
| Equity in Pooled Cash and Investments      | -                       | -                               | -                                    | -                               | 368,295                         | -                                 | -                            | -  | 368,295     |
| Investments                                | -                       | -                               | -                                    | 15,338                          | -                               | 72,621                            | -                            | -  | 87,959      |
| Due from Primary Government                | -                       | -                               | 13,037                               | -                               | -                               | -                                 | 88,356                       | -  | 101,393     |
| Amounts Held by Fiscal Agent               | -                       | -                               | -                                    | -                               | 240,500                         | -                                 | -                            | -  | 240,500     |
| Notes Receivable                           | -                       | 62,071                          | 25,584                               | -                               | -                               | -                                 | -                            | -  | 87,655      |
| Taxes Receivable                           | -                       | -                               | -                                    | -                               | 155,253                         | -                                 | -                            | -  | 155,253     |
| Accounts Receivable-Net                    | 81,991                  | 18,331                          | 14,991                               | 70,668                          | 12,954                          | 24,497                            | 1,250                        | 6,691  | 231,373     |
| Allowance for Doubtful Accounts            | -                       | -                               | -                                    | -                               | -                               | (1,344)                           | -                            | -  | (1,344)     |
| Interest and Dividends Receivable          | -                       | 7                               | 29,225                               | 46                              | 623                             | -                                 | -                            | -  | 29,901      |
| Due from Other Governments                 | -                       | 158,352                         | -                                    | -                               | 250,743                         | 16,544                            | -                            | 3,810  | 429,449     |
| Inventories                                | 53,373                  | 753                             | 132,715                              | -                               | 760                             | -                                 | -                            | -  | 187,601     |
| Other Assets                               | 79,705                  | 8,023                           | 25,806                               | 13,003                          | 6,980                           | 2,004                             | 1,573                        | -  | 137,094     |
| Restricted Assets:                         |                         |                                 |                                      |                                 |                                 |                                   |                              |  |             |
| Cash and Cash Equivalents                  | -                       | 62,996                          | 16,694                               | 55,453                          | 153,536                         | -                                 | -                            | 62,567   | 351,246     |
| Other Assets                               | 295,346                 | 5,194                           | 17,548                               | -                               | 157,740                         | 25,463                            | -                            | 7,705  | 508,996     |
| Capital Assets:                            |                         |                                 |                                      |                                 |                                 |                                   |                              |  |             |
| Land and Other Non-Depreciated Assets      | 110,916                 | 105,641                         | 170                                  | 28,907                          | 397,264                         | 59,711                            | -                            | 11,003   | 713,612     |
| Other Capital Assets (Net of Depreciation) | 1,454,947               | 1,052,445                       | 113                                  | 146,342                         | 1,680,040                       | 113,844                           | 7,407                        | 104,926  | 4,560,064   |
| Total Capital Assets                       | 1,565,863               | 1,158,086                       | 283                                  | 175,249                         | 2,077,304                       | 173,555                           | 7,407                        | 115,929  | 5,273,676   |
| Total Assets                               | 2,234,543               | 1,699,820                       | 320,461                              | 388,173                         | 3,424,690                       | 336,995                           | 117,001                      | 230,600  | 8,752,283   |
| <b>Deferred Outflows of Resources</b>      | 132,900                 | 6,226                           | -                                    | 43,444                          | 737,016                         | 29,243                            | 616                          | -  | 949,445     |
| <b>Liabilities</b>                         |                         |                                 |                                      |                                 |                                 |                                   |                              |  |             |
| Notes Payable                              | -                       | -                               | 7,986                                | -                               | -                               | 25,945                            | -                            | -  | 33,931      |
| Vouchers Payable                           | 79,928                  | -                               | -                                    | -                               | -                               | 20,589                            | -                            | -  | 100,517     |
| Accounts Payable                           | -                       | 12,674                          | 16,663                               | 25,570                          | 55,591                          | -                                 | 13,864                       | 5,023  | 129,385     |
| Salaries and Wages Payable                 | 6,195                   | 5,428                           | -                                    | -                               | 322,615                         | 4,831                             | -                            | -  | 339,069     |
| Accrued Expenses                           | 75,807                  | 10,755                          | 13,760                               | 275                             | 1,778                           | 1,778                             | 29,811                       | -  | 132,186     |
| Funds Held in Escrow                       | -                       | 2,218                           | 6,590                                | -                               | -                               | 280                               | -                            | 597  | 9,685       |
| Due to Other Governments                   | -                       | 401                             | -                                    | 16,249                          | 12,342                          | 423                               | -                            | -  | 29,415      |
| Due to Primary Government                  | -                       | -                               | -                                    | 599                             | -                               | -                                 | -                            | 16,901   | 17,500      |
| Unearned Revenue                           | 10,946                  | 1,564                           | 54,758                               | -                               | 23,447                          | 6,284                             | 4,294                        | 105,438  | 206,731     |
| Overpayment of Taxes                       | -                       | -                               | -                                    | -                               | -                               | -                                 | -                            | -  | 37,520      |
| Other Current Liabilities                  | -                       | 4,066                           | -                                    | -                               | 194,558                         | -                                 | 59,910                       | -  | 258,534     |
| Non-Current Liabilities:                   |                         |                                 |                                      |                                 |                                 |                                   |                              |  |             |
| Due within one year                        | 54,030                  | 45,903                          | 3,794                                | 15,287                          | 297,769                         | 7,979                             | -                            | 1,052  | 425,814     |
| Due in more than one year                  | 1,153,054               | 162,922                         | 45,014                               | 102,114                         | 3,482,160                       | 69,551                            | -                            | 22,839   | 5,037,654   |
| Net OPEB Liability                         | 201,588                 | 1,528                           | -                                    | 15,166                          | 183,744                         | 180,486                           | 5,164                        | -  | 587,676     |
| Net Pension Liability                      | 138,216                 | 70,966                          | -                                    | 94,868                          | 3,734,062                       | -                                 | -                            | -  | 4,038,112   |
| Total Liabilities                          | 1,719,764               | 318,325                         | 148,565                              | 270,128                         | 8,343,808                       | 318,146                           | 113,043                      | 151,950  | 11,383,729  |
| <b>Deferred Inflows of Resources</b>       | 197,580                 | 3,228                           | -                                    | 37,361                          | 128,937                         | 53,725                            | 1,319                        | -  | 422,150     |
| <b>Net Position</b>                        |                         |                                 |                                      |                                 |                                 |                                   |                              |  |             |
| Net Investment in Capital Assets           | 590,246                 | 723,379                         | 113                                  | 85,296                          | (596,058)                       | 116,734                           | 7,407                        | 91,938   | 1,019,055   |
| Restricted For:                            |                         |                                 |                                      |                                 |                                 |                                   |                              |  |             |
| Capital Projects                           | -                       | -                               | -                                    | -                               | -                               | 10,952                            | -                            | -  | 10,952      |
| Debt Service                               | 107,684                 | -                               | 12,748                               | 3,907                           | 240,522                         | -                                 | -                            | -  | 364,861     |
| Educational Programs                       | -                       | -                               | -                                    | -                               | 6,531                           | 15,575                            | -                            | -  | 22,106      |
| Grant Programs                             | -                       | 2,470                           | -                                    | -                               | -                               | -                                 | -                            | 70,272   | 72,742      |
| Other                                      | 2,740                   | 13,847                          | -                                    | -                               | 14,599                          | -                                 | -                            | -  | 31,186      |
| Unrestricted                               | (250,571)               | 644,797                         | 159,035                              | 34,925                          | (3,976,633)                     | (148,894)                         | (4,152)                      | (83,560)   | (3,625,053) |
| Total Net Position                         | 450,099                 | 1,384,493                       | 171,896                              | 124,128                         | (4,311,039)                     | (5,633)                           | 3,255                        | 78,650   | (2,104,151) |

\* 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  | Net (Expense) Revenue and Changes in Net Position |                      |                                    |                                  |                         |                                 |                                      |                                 |                                 |                                   |
|--|---|----------------------|------------------------------------|----------------------------------|-------------------------|---------------------------------|--------------------------------------|---------------------------------|---------------------------------|-----------------------------------|
|  | Program Revenues                                  |                      |                                    | 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 |
| Gas Operations   | 493,497   | 630,769              | 17,300                             | -                                | 154,572                 | -                               | -                                    | -                               | -                               | -                                 |
| Gas Works  | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Housing  | 423,887   | 55,225               | 448,517                            | 14,207                           | -                       | 94,062                          | -                                    | -                               | -                               | -                                 |
| Housing Authority  | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Redevelopment Authority                                    | 41,594  | 1,957                | 39,043                             | -                                | -                       | -                               | (594)                                | -                               | -                               | -                                 |
|  | 465,481   | 57,182               | 487,560                            | 14,207                           | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Parking  | 171,579   | 180,887              | -                                  | -                                | -                       | -                               | -                                    | 9,108                           | -                               | -                                 |
| Parking Authority  | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Education  | 3,945,984   | 5,142                | 1,294,130                          | 500                              | -                       | -                               | -                                    | -                               | -                               | -                                 |
| School District  | 149,741   | 28,831               | 75,524                             | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Community College  | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Total  | 4,095,725   | 33,973               | 1,369,654                          | 500                              | -                       | -                               | -                                    | -                               | (2,646,212)                     | (45,386)                          |
| Health   | 1,085,265   | -                    | 1,085,286                          | -                                | -                       | -                               | -                                    | -                               | -                               | 1,021                             |
| Community Behavioral Health                                | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Economic Development                                       | 140,967   | 1,601                | 81,303                             | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Authority for Ind. Development                             | 140,967   | 1,601                | 81,303                             | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Total  | 6,455,514   | 904,212              | 3,045,103                          | 14,707                           | -                       | -                               | -                                    | -                               | -                               | (2,491,492)                       |
| General Revenues:  |   |                      |                                    |                                  |                         |                                 |                                      |                                 |                                 |                                   |
| Property Taxes   | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Other Taxes  | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Grants & Contributions Not Restricted to Specific Programs | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Unrestricted Interest & Investment Earnings                | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Miscellaneous  | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Special Item-Gain (Loss) on Sale of Capital Assets         | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Transfers  | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Total General Revenue                                      | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Change in Net Position                                     | 154,572   | 295,527              | 295,527                            | 295,527                          | 295,527                 | 295,527                         | 295,527                              | 295,527                         | 295,527                         | 295,527                           |
| Net Position - July 1, 2020                                | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Adjustment   | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Net Position Adjusted - July 1, 2020                       | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |
| Net Position - June 30, 2021                               | -   | -                    | -                                  | -                                | -                       | -                               | -                                    | -                               | -                               | -                                 |

\* 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.



**Notes to the Financial Statements**  
**FYE 06/30/2021**

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## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **1. REPORTING ENTITY**

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

As required by GAAP, the financial statements of the City of Philadelphia include those of the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The financial statements of these component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. 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, and No. 84. Certain other organizations also met the criteria for inclusion, however, they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.

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

#### **A. BLENDED COMPONENT UNITS**

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

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

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

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

#### **B. DISCRETELY PRESENTED COMPONENT UNITS**

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

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

PGW was established by the City to provide gas service to residential and commercial customers within the City of Philadelphia. The City appoints a voting majority of PGW's board and has the ability to modify or approve their budget. PGW meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

##### **Philadelphia Housing Authority (PHA) – 2013 Ridge Ave, Philadelphia, PA 19121**

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



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

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

**Philadelphia Parking Authority (PPA) – 701 Market St., Philadelphia, PA 19106**

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

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

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

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

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

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

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

**Philadelphia Authority for Industrial Development (PAID) – 1500 Market St, Philadelphia, PA 19102**

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

**C. FIDUCIARY COMPONENT UNITS**

The City reports two component units in the fiduciary statements.

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

**2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

### 3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

---

#### A. PRIMARY GOVERNMENT

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

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

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

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

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

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

*The City reports the following major governmental funds:*

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

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

*The City reports on the following fiduciary funds:*

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

*The City reports the following major proprietary funds:*

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

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

## B. COMPONENT UNITS

The component units of the City prepare their financial statements in a manner similar to that of proprietary funds, with the exception of the following:

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

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

## 4. DEPOSITS AND INVESTMENTS

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

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

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

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

## 5. INVENTORIES

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### 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 inventories of \$0.3 million are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture 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

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### A. PRIMARY GOVERNMENT

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

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

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

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

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

**B. COMPONENT UNITS**

Depreciation on the capital assets for component units is provided on the straight-line method over their estimated useful lives: buildings - 7 to 50 years; equipment and storage facilities - 3 to 25 years.

**7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS**

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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**

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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**

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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 38.21% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. The City of Philadelphia and the School District of Philadelphia both impose a tax on all real estate in the City. Current real estate rates are \$1.3998 on each \$100 assessment; \$0.6317 for the City and \$0.7681 for the School District of Philadelphia. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

**10. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION**

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

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

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

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

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

(Amounts in Thousands of USD)

| <b><u>Deferred Outflows of Resources</u></b> | <b>Governmental<br/>Activities</b> | <b>Business Type<br/>Activities</b> | <b>Component<br/>Units</b> |
|--|------------------------------------|-------------------------------------|----------------------------|
| Derivative Instrument                        | 32,696                             | 2,972                               | 9,117                      |
| Deferred Charge of Refunding                 | 92,094                             | 57,057                              | 78,199                     |
| Deferred Pension Expense                     | 95,203                             | 9,893                               | 721,062                    |
| Deferred Outflow OPEB                        | 232,298                            | 28,619                              | 141,067                    |
| <b>Total</b>                                 | <b>452,291</b>                     | <b>98,541</b>                       | <b>949,445</b>             |

(Amounts in Thousands of USD)

| <b><u>Deferred Inflows of Resources</u></b> | <b>Governmental<br/>Activities</b> | <b>Business Type<br/>Activities</b> | <b>Component<br/>Units</b> |
|---|------------------------------------|-------------------------------------|----------------------------|
| Deferred Gain of Refunding                  | 5,735                              | 13,213                              | 15,364                     |
| Deferred Pension Revenue                    | 658,671                            | 80,766                              | 241,016                    |
| Deferred Inflow OPEB                        | 128,799                            | 15,574                              | 165,770                    |
| <b>Total</b>                                | <b>793,205</b>                     | <b>109,553</b>                      | <b>422,150</b>             |

On the modified accrual statements, there were no deferred outflows and the City has three items that are reported in the Governmental Balance Sheet as deferred inflows: Unavailable Tax revenue, Unavailable Agency revenue and Unavailable Governmental revenue.

(Amounts in Thousands of USD)

| <b><u>Deferred Inflows of Resources</u></b> | <b>General<br/>Fund</b> | <b>Grants Revenue<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> |
|---|-------------------------|--------------------------------|---|
| Unavailable Tax Revenue                     | 119,332                 | -                              | 1,941                                   |
| Unavailable Agency Revenue                  | 59,815                  | -                              | -                                       |
| Unavailable Government Revenue              | 36,967                  | 419,140                        | 88,754                                  |
| <b>Total</b>                                | <b>216,114</b>          | <b>419,140</b>                 | <b>90,695</b>                           |

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#### 11. COMPENSATED ABSENCES

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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.

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#### 12. CLAIMS AND JUDGMENTS

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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.

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#### 13. UNEARNED REVENUE

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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) (\$167.3 million).

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#### 14. NEW ACCOUNTING STANDARDS - ADOPTED

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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 adoption of this statement resulted in a restatement of net position for fiduciary funds (See Note 14), and the reclassification of certain fund types from fiduciary to governmental. The reclassification of funds resulted in \$64.8 million of assets and liabilities being reclassified to governmental funds from fiduciary funds.

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. The adoption of this statement had no effect on this annual report.

In June 2020, **GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32**. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The adoption of this statement had no effect on previously reported amounts. The adoption of this statement had no effect on this annual report. This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The adoption of this statement had no effect on previously reported amounts. The adoption of this statement had no effect on this annual report.

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 City has adopted this statement in this annual report.

**New Accounting Standards – 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 improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

In May 2020, **GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements**. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. A SBITA is defined as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

In June 2020, **GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32**. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The adoption of this statement had no effect on previously reported amounts.



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.

GASB Statement No. 97 – Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.

The effect of these statements has not yet been determined.

## II. LEGAL COMPLIANCE

### 1. BUDGETARY INFORMATION

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

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

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

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

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

### III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

#### 1. DEPOSITS AND INVESTMENTS

##### A. City

##### City Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the bank balance for City deposits was \$436.0 million.

##### City Investments

The City has established a comprehensive investment policy that covers all funds other than the Municipal Pension Fund, Philadelphia Gas Works Retirement Reserve (PGW Pension Fund), and the Fairmount Park and Free Library Trust Funds. Those funds have separate investment policies designed to meet the long-term goals of the fund.

As of June 30, 2021, the total investments of the City, as well as both Pension Trust Funds and the Fairmount Park and Free Library Trust Funds, consisted of:

(Amount in Thousands)

| Classification                    | City (1)     | City<br>Trust Funds | PGW<br>Pension Fund | Municipal<br>Pension Fund | Grand Total   |
|-----------------------------------|--------------|---------------------|---------------------|---------------------------|---------------|
| State of PA - Invest Program      | \$ 932       | -                   | \$ -                | \$ -                      | \$ 932        |
| Short-Term Investment Pools       | 1,162,062    | 1,193               | 22,787              | 322,406                   | 1,508,449     |
| Commercial Paper                  | 582,520      | -                   | -                   | -                         | 582,520       |
| U.S. Government Securities        | 1,731,965    | 52                  | 49,017              | 269,151                   | 2,050,185     |
| U.S. Government Agency Securities | 456,574      | 142                 | 40,988              | 8,985                     | 506,690       |
| Municipal/Other Debt              | 12,031       | 521                 | 498                 | 10,121                    | 23,172        |
| Foreign Debt                      | -            | -                   | -                   | 5,264                     | 5,264         |
| Corporate Bonds                   | 218,584      | 195                 | 74,356              | 351,943                   | 645,078       |
| CDO's                             | -            | -                   | -                   | 2,546                     | 2,546         |
| Government Bonds                  | -            | -                   | -                   | 104,432                   | 104,432       |
| Asset Backed Securities           | -            | -                   | -                   | 32,903                    | 32,903        |
| Mortgage Backed Securities        | -            | -                   | -                   | 153,343                   | 153,343       |
| Other Bonds and Investments       | -            | 2,800               | 11,494              | -                         | 14,294        |
| Corporate Equities                | -            | 5,114               | 479,273             | 4,584,523                 | 5,068,910     |
| Limited Partnerships              | -            | -                   | -                   | 35,850                    | 35,850        |
| Hedge Funds                       | -            | -                   | -                   | 33,663                    | 33,663        |
| Real Estate                       | -            | -                   | -                   | 568,769                   | 568,769       |
| Private Equity                    | -            | -                   | -                   | 849,366                   | 849,366       |
| Grand Total                       | \$ 4,164,668 | \$ 10,018           | \$ 678,413          | \$ 7,333,265              | \$ 12,186,365 |

(1) The City's investments do not include blended component units (PMA & PICA).

The City's investments include all operating, capital, debt service and debt service reserve accounts of the City's General Fund, Water Department and Aviation Division. All City investments must be in compliance with applicable provisions of the City Code and City bond resolutions, as well as the City's Investment Policy. The City's Investment Policy is meant to supplement the applicable provisions of the City Code and City bond resolutions and is reviewed and adopted by the City's Investment Committee. The City's Investment Committee consists of the Director of Finance, the City Treasurer, a representative from the Water Department, Aviation Division, and the Philadelphia Gas Works.

##### City Investments - Credit Risk

The City's policy to limit credit risks is to limit the types of allowable investment, as well as the maximum percent of the portfolio for each type of investment.

The City's investment in US Government securities (41.59%) or US Government Agency obligations (10.96%) are allowable investments up to 100% of the portfolio. The US Government Agency obligations must be rated AAA by Standard & Poor's Corp. (S&P) or Aaa by Moody's Investor Services. All US Government Securities meet the criteria.

The City's investment in commercial paper (13.99%) is limited to 25% of the portfolio and must be rated A1 by S&P or P1 by Moody's Investor's Services, Inc. (Moody's) and the senior long-term debt of the issuer must not be rated lower than A by S&P or Aa2 by Moody's. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (5.25%) is limited to 25% of the portfolio and had a S&P rating of AAA to AA or Moody's rating of Aa2 or better. All corporate investments meet the criteria.

Short Term Investment Pools are rated AAA by S&P and Aaa by Moody's Investor Services. The Short-Term Investment Pools' amortized cost-based net asset value per share/unit is the same as the value of the pool shares. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools).

The City limits its foreign currency risk by investing in certificates of deposit and banker's acceptances issued or endorsed by non-domestic banks that are denominated in US dollars, providing that the banking institution has assets of not less than \$100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year, the City did not have any investments of that nature.

To minimize custodial credit risk, the City's policy is to select custodian banks that are members of the Federal Reserve System to hold its investments. Delivery of the applicable investment documents to the City's custodian is required for all investments.

#### City Investments - Interest Rate Risk

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

(Amounts in thousands of USD)

| Classifications                   | Less than<br>6 months | 7 to 12<br>months | 13 to 18<br>months | 19 to 24<br>months | Total     |
|-----------------------------------|-----------------------|-------------------|--------------------|--------------------|-----------|
| Commercial Paper                  | 501,756               | 80,764            | -                  | -                  | 582,520   |
| U.S. Government Security          | 640,828               | 557,274           | 408,867            | 124,996            | 1,731,965 |
| U.S. Government Agency Securities | 166,233               | 180,850           | 82,123             | 27,368             | 456,574   |
| Municipal Debt                    | 7,120                 | 1,057             | 3,854              | -                  | 12,031    |
| Corporate Bonds                   | 74,614                | 64,944            | 40,647             | 37,088             | 217,293   |
| Grand Total                       | 1,390,551             | 884,890           | 535,492            | 189,452            | 3,000,384 |

#### City Investments – Fair Value Measurement

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability
- Level 3: Unobservable inputs for assets or liabilities

The City has the following recurring fair value measurements as of June 30, 2021:

- Commercial paper securities of \$582.5 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2)
- U.S. Treasury securities of \$1,732.0 million are valued using quoted prices from active markets (Level 1)
- U.S. Agency securities of \$456.6 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)
- Municipal Debt/Other securities of \$12.0 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2)
- Corporate bond securities of \$217.3 million are valued using quoted prices for similar securities in active markets and via matrix pricing models (Level 2)

The City's money market and short-term investment pools of \$1739.1 million are valued at the published amortized cost-based net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

The Fairmount Park Trust Fund has the following recurring fair value measurements as of June 30, 2021:

- Equity Stock securities of \$2.0 million are valued using quoted prices from active markets (Level 1)
- ETF and Mutual funds of \$4.8 million are valued using quoted prices from active markets (Level 1)
- U.S. Treasury securities of \$0.01 million, U.S. Agency securities of \$0.1 million, Corporate bond securities of \$0.2 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)

For FY2021, the Free Library Trust Fund's mutual funds of \$2.8 million are valued at the published net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

#### Municipal Pension Fund

See Footnote IV. 1. PENSION PLANS A. (1) e. Cash Deposits, Investments and Securities Lending

#### Philadelphia Gas Works Retirement Reserve (PGWRR)

See Footnote IV. 1. PENSION PLANS A. (2) c. Summary of Significant Accounting Policies

### B. Blended Component Units

#### 1) PICA

##### Deposits:

The Authority's funds may be deposited in any bank that is insured by the Federal Deposit Insurance Corporation. To the extent that such deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodians) obligations of the United States, the Commonwealth, or any other political subdivision of the Commonwealth to eliminate the risk of uninsured funds. Under Act 72 of 1971 Session of the Pennsylvania General Assembly (Act 72), as amended, the depositories may meet this requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

At June 30, 2021, PICA's deposits consist of the following:

|                         |                     |
|-------------------------|---------------------|
| Cash                    | \$ 625,740          |
| Certificates of Deposit | 3,430,000           |
| Total                   | <u>\$ 4,055,740</u> |

PICA's deposits include bank certificates of deposit that have a remaining maturity, at the time of purchase, of one year or less. US Treasury and Agency obligations with a remaining maturity of one year or less are classified as short-term investments.

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has no policy, other than as noted above, that further limits its custodial credit risk. As of June 30, 2021, the Authority's book balance was \$4,055,741 and the bank balance was \$4,059,170. Of the bank balance, \$3,680,000 was covered by federal depository insurance and \$379,170 was collateralized under Act 72.

*Interest Rate Risk* – PICA does not have a formal investment policy, other than as noted above, that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Fair Value of Investments* - Investments and derivatives are recorded at fair value as of June 30, 2021. GASB Statement No. 72 – Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs for an asset (or liability) and may require a degree of professional judgment.

The following table summarizes PICA's investments within the fair value hierarchy at June 30, 2021:

| Investment Type                  | Fair Value Measurements Using |                   |          | Totals            |
|----------------------------------|-------------------------------|-------------------|----------|-------------------|
|                                  | Level 1                       | Level 2           | Level 3  |                   |
| Money Market Funds               | 7,188,652                     | -                 | -        | 7,188,652         |
| US Treasury & Agency Obligations | 3,515,153                     | 18,926,460        | -        | 22,441,613        |
| Municipal Bonds/short-term notes | -                             | -                 | -        | -                 |
| Commercial Paper                 | -                             | -                 | -        | -                 |
| Total                            | <u>10,703,805</u>             | <u>18,926,460</u> | <u>-</u> | <u>29,630,265</u> |

#### Investment Derivative Instruments:

As of June 30, 2021, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

#### PICA Series of 2003 and 1999 Basis Cap Agreements

PICA entered into two basis cap transactions with JPMorgan Chase Bank, one in June 2003 related to the 2003 swap and one in April 2004 related to the 1999 swaption. For the 2003 basis cap transaction, beginning in June 15, 2003, the counterparty paid the Authority a fixed rate each month of .40% per year times the notional amount times the day count fraction and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of Securities Industry and Financial Markets Association (SIFMA) for the month divided by one-month London Interbank Offered Rate (LIBOR) less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction, or (b) zero. The notional amount and term of the agreement equaled the notional amount and term of the 2003 interest rate swap noted above.

For the 1999 basis cap transaction, beginning June 15, 2009, the counterparty paid the Authority a fixed rate each month of .46% per year times the notional amount times the day count fraction and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by one-month LIBOR less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction, or (b) zero. The notional amount and term of the agreement equaled the notional amount and term of the 1999 interest rate swap noted above.

The Authority liquidated its investment derivative instrument in January 2021. The Authority received \$74,000 and \$300,000, related to the termination of the basis cap agreements entered into in June 2003 and April 2004, respectively.

## 2) PHILADELPHIA MUNICIPAL AUTHORITY

### INVESTMENTS AND DEPOSITS

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

The investments of the Equipment Acquisition Fund were made in accordance with City investment policies and include money market funds, government securities, corporate bonds and debt obligations.

A summary of the investments at June 30, 2021 is as follows:

|                     | <u>Fair Value</u>    | <u>Cost</u>          | <u>Maturity Date</u> |
|---------------------|----------------------|----------------------|----------------------|
| Money Market Funds* | \$ 17,830,027        | \$ 17,830,027        | N/A                  |
| Total               | <u>\$ 17,830,027</u> | <u>\$ 17,830,027</u> |                      |

\* Restricted for debt service or capital expenditures. N/A – Not applicable.

PMA, through its trustees, invested the unexpended cash from the 2017 Juvenile Justice Center Bond Issue, the 2014 Philadelphia Municipal Authority Bond Issues, and the 2013 Energy Conservation and Direct Subsidy Bond Issues in money market funds during the year.

PMA does not have a formally adopted investment policy related to credit risk, but it generally follows the practices of the City. Investments in money market funds were not rated.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, PMA's deposits or investments may not be returned to it. PMA does not have a formal policy for custodial credit risk. However, it generally follows the practices of the City.

PMA's depository cash accounts consisted of \$330,166 on deposit with two local banks as of June 30, 2021. Amounts are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in PMA's name. As of June 30, 2021, PMA did not have uninsured deposits on hand.

Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying or hedging. PMA does not have a formal policy for interest rate risk. However, it generally follows the practices of the City.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

PMA's investments qualify as Level 1 investments.

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## 2. SECURITIES LENDING

A. GOVERNMENTAL FUNDS:

The City Treasurer is prohibited from lending or selling city-owned securities with an agreement to buy them back after a stated period of time (City of Philadelphia - Investment Policy Section VI. Investment Restrictions)

B. PENSION TRUST FUNDS

1. City Plan (Municipal Pension Fund):

- The Board of Directors of the Municipal Pension Fund has authorized management of the Fund to participate in securities lending transactions.
- See Footnote IV. 1. PENSION PLANS A. (1) e. Cash Deposits, Investments and Securities Lending

2. Philadelphia Gas Works (PGW) Plan

- The Board of Directors of the Sinking Fund Commission on behalf of Philadelphia Gas Works Retirement Reserve Fund ("PGWRR") has authorized the management of these funds to participate in securities lending transactions.
- See Footnote IV. 1. PENSION PLANS A. (2) C. Cash Deposits, Investments and Securities Lending

### 3. AMOUNTS HELD BY FISCAL AGENT

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

#### A. GOVERNMENTAL FUNDS

The General Fund consists of cash and investment balances related to the net proceeds of PAID's City Service Agreement Refunding Revenue Series Bond 2012, PAID's City Service Agreement – Affordable Housing Preservation 2017 Series Bonds, PAID's City Service Agreement – Museum of Art Series 2018A Revenue Bonds, PAID's City Service Agreement – One Parkway Series 2018B Revenue Refunding Bonds, PAID's City Service Agreement – Rebuild Project – Revenue Bonds Series 2018, and PRA's City Service Agreement Revenue Bonds Series 2018.

Grants Revenue Fund - There are no amounts reported for fiscal year 2021 for the Grants Revenue Fund.

#### B. PROPRIETARY FUNDS

There are no amounts reported for fiscal year 2021 - Proprietary Funds.

### 4. INTERFUND RECEIVABLES AND PAYABLES

#### A. PRIMARY GOVERNMENT

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

(Amounts in Thousands)

| Interfund Receivables Due to:       |                 |                                 |                  |                |                  |
|-------------------------------------|-----------------|---------------------------------|------------------|----------------|------------------|
|                                     | General         | Non major<br>Special<br>Revenue | Pension<br>Fund  | Other<br>Funds | Total            |
| <b>Interfund Payables Due From:</b> |                 |                                 |                  |                |                  |
| General                             | \$ -            | \$ 873                          | \$ 55,204        | \$ 699         | \$ 56,776        |
| Grants Revenue Fund                 | -               | 74                              |                  |                | 74               |
| Water & Sewer Fund                  | -               | 2,922                           |                  |                | 2,922            |
| Non major Special Revenue Funds     | 7,551           |                                 |                  |                | 7,551            |
| Total                               | <u>\$ 7,551</u> | <u>\$ 3,869</u>                 | <u>\$ 55,204</u> | <u>\$ 699</u>  | <u>\$ 67,323</u> |

#### B. COMPONENT UNITS

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

(Amounts in Thousands)

| Receivables Due to:       |           |          |           |           |         |        |      |      |          |                   |
|---------------------------|-----------|----------|-----------|-----------|---------|--------|------|------|----------|-------------------|
|                           | General   | Aviation | CBH       | PRA       | PAID    | PGW    | PPA  | PHA  | CCP      | Timing Difference |
| <b>Payables Due From:</b> |           |          |           |           |         |        |      |      |          |                   |
| General Fund              | \$ -      | \$ -     | \$ -      | \$ 104    | \$ 7    | \$ 178 | \$ - | \$ - | \$ 1,765 | \$ -              |
| Behavioral Health         | -         | -        | 78,361    | -         | -       | -      | -    | -    | -        | -                 |
| Grants Revenue            | -         | -        | 2,185     | 1,079     | -       | -      | -    | 94   | 4        | 256               |
| Community Dev.            | -         | -        | -         | -         | -       | -      | -    | -    | -        | 2,648             |
| Capital Improvement       | -         | -        | -         | 60        | 6,150   | -      | -    | -    | -        | -                 |
| Aviation Fund             | -         | -        | -         | -         | -       | -      | -    | -    | -        | 1,072             |
| Housing Trust             | -         | -        | -         | 3,081     | -       | -      | -    | -    | -        | -                 |
| Water Fund                | -         | -        | -         | -         | 2,773   | 94     | 15   | -    | -        | -                 |
| PPA                       | 9,500     | 33       | -         | -         | -       | -      | -    | -    | -        | (8,934)           |
| PAID                      | 36,706    | -        | -         | -         | -       | -      | -    | -    | -        | (19,805)          |
| Timing Difference         | -         | (33)     | 7,810     | 8,713     | (8,930) | (272)  | (15) | (94) | (1,769)  | -                 |
| Total                     | \$ 46,206 | \$ -     | \$ 88,356 | \$ 13,037 | \$ -    | \$ -   | \$ - | \$ - | \$ -     | \$ (24,763)       |
|                           |           |          |           |           |         |        |      |      |          | \$ 122,836        |

## 5. CAPITAL ASSET ACTIVITY

### A. PRIMARY GOVERNMENT

Capital Asset activity of the primary government for the year ended June 30, 2021 was as follows:

(Amounts in Millions of USD)

| Governmental Activities:                     | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-------------------|-----------|-----------|----------------|
| <u>Capital assets not being depreciated:</u> |                   |           |           |                |
| Land   | 927.0             | 19.0      | (1.0)     | 945.0          |
| Fine Arts                                    | 1.0               | -         | -         | 1.0            |
| Property Available for Sale                  | -                 | -         | -         | -              |
| Construction In Process                      | 18.0              | 3.0       | (18.0)    | 3.0            |
| Total capital assets not being depreciated   | 946.0             | 22.0      | (19.0)    | 949.0          |
| <u>Capital assets being depreciated:</u>     |                   |           |           |                |
| Buildings                                    | 2,601.0           | 51.0      | (3.0)     | 2,649.0        |
| Other Improvements                           | 396.0             | 11.0      | (2.0)     | 405.0          |
| Equipment                                    | 627.0             | 46.0      | (26.0)    | 647.0          |
| Infrastructure                               | 1,831.0           | 86.0      | -         | 1,917.0        |
| Intangibles                                  | 64.0              | 10.0      | -         | 74.0           |
| Transit                                      | 292.0             | -         | -         | 292.0          |
| Total capital assets being depreciated       | 5,811.0           | 204.0     | (31.0)    | 5,984.0        |
| <u>Less accumulated depreciation for:</u>    |                   |           |           |                |
| Buildings                                    | (1,745.0)         | (72.0)    | 2.0       | (1,815.0)      |
| Other Improvements                           | (293.0)           | (9.0)     | 2.0       | (300.0)        |
| Equipment                                    | (427.0)           | (40.0)    | 21.0      | (446.0)        |
| Infrastructure                               | (1,348.0)         | (46.0)    | -         | (1,394.0)      |
| Intangibles                                  | (21.0)            | (8.0)     | -         | (29.0)         |
| Transit                                      | (251.0)           | (5.0)     | -         | (256.0)        |
| Total accumulated depreciation               | (4,085.0)         | (180.0)   | 25.0      | (4,240.0)      |
| Total capital assets being depreciated, net  | 1,726.0           | 24.0      | (6.0)     | 1,744.0        |
| Governmental activities capital assets, net  | 2,672.0           | 46.0      | (25.0)    | 2,693.0        |



Capital Asset activity of the primary government, business-type activities for the year ended June 30, 2021 was as follows:

| (Amounts in Millions of USD)                 |                      |           |           |                   |
|--|----------------------|-----------|-----------|-------------------|
| Business-Type Activities - Enterprise Funds  | Beginning<br>Balance | Increases | Decreases | Ending<br>Balance |
| <u>Capital assets not being depreciated:</u> |                      |           |           |                   |
| Land   | 236.6                |           |           | 236.6             |
| Construction In Process                      | 1,040.4              | 420.6     | (461.2)   | 999.7             |
| Total capital assets not being depreciated   | 1,277.0              | 420.6     | (461.2)   | 1,236.3           |
| <u>Capital assets being depreciated:</u>     |                      |           |           |                   |
| Buildings                                    | 3,685.6              | 354.9     | (34.1)    | 4,006.4           |
| Other Improvements                           | 434.8                | 30.6      | -         | 465.3             |
| Equipment                                    | 174.8                | 17.7      | (12.6)    | 179.9             |
| Intangible Assets                            | 24.2                 | 2.4       | -         | 26.6              |
| Infrastructure                               | 4,008.0              | 85.1      | (1.2)     | 4,091.9           |
| Total capital assets being depreciated       | 8,327.4              | 490.7     | (47.9)    | 8,770.1           |
| <u>Less accumulated depreciation for:</u>    |                      |           |           |                   |
| Buildings                                    | (2,113.4)            | (130.2)   | 25.6      | (2,218.0)         |
| Other Improvements                           | (248.5)              | (18.8)    | -         | (267.3)           |
| Equipment                                    | (125.2)              | (17.6)    | 9.6       | (133.2)           |
| Intangible Assets                            | (15.3)               | (1.5)     | -         | (16.8)            |
| Infrastructure                               | (2,171.5)            | (91.1)    | 0.5       | (2,262.0)         |
| Total accumulated depreciation               | (4,673.9)            | (259.2)   | 35.7      | (4,897.3)         |
| Total capital assets being depreciated, net  | 3,653.5              | 231.5     | (12.2)    | 3,872.8           |
| Business-type activities capital assets, net | 4,930.5              | 652.1     | (473.4)   | 5,109.2           |

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

| (Amounts in Millions of USD)           |     |
|--|-----|
| <b><u>Governmental Activities:</u></b> |     |
| Economic Development                   | 2   |
| Transportation:                        |     |
| Streets & Highways                     | 54  |
| Mass Transit                           | 4   |
| Judiciary and Law Enforcement:         |     |
| Police                                 | 28  |
| Prisons                                | 6   |
| Courts                                 | 1   |
| Conservation of Health:                |     |
| Health Services                        | 4   |
| Cultural and Recreational:             |     |
| Recreation                             | 14  |
| Parks                                  | 13  |
| Libraries and Museums                  | 6   |
| Improvements to General Welfare:       |     |
| Social Services                        | 2   |
| Service to Property:                   |     |
| Fire                                   | 12  |
| General Management & Support           | 34  |
| Total Governmental Activities          | 180 |

Depreciation expense was charged to the primary government, business-type activities as follows:

(Amounts in Millions of USD)

|   |            |
|---|------------|
| <b><u>Business-Type Activities:</u></b> |            |
| Water and Sewer                         | 135        |
| Aviation                                | 107        |
| Total Business Type Activities          | <u>241</u> |

## B. DISCRETELY PRESENTED COMPONENT UNITS

The following schedule reflects the combined activity in capital assets for the discretely presented component units for the year ended June 30, 2021:

(Amounts in Millions of USD)

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|------------------|------------------|---------------------------|
| <b>Governmental Activities:</b>                |                              |                  |                  |                  |                           |
| <u>Capital assets not being depreciated:</u>   |                              |                  |                  |                  |                           |
| Land   | 129.3                        |                  |                  | 1.3              | 130.6                     |
| Construction In Process                        | 194.0                        | 229.0            |                  | (156.3)          | 266.7                     |
| <u>Development In Process</u>                  | <u>23.9</u>                  | <u>11.2</u>      |                  | <u>(35.1)</u>    | <u>-</u>                  |
| Total capital assets not being depreciated     | 347.2                        | 240.2            | -                | (190.1)          | 397.3                     |
| <u>Capital assets being depreciated:</u>       |                              |                  |                  |                  |                           |
| Buildings (1)                                  | 1,746.4                      |                  | (0.9)            | 6.5              | 1,752.0                   |
| Right to Use-Buildings (2)                     | 0.9                          |                  |                  |                  | 0.9                       |
| Other Improvements (3)                         | 1,513.2                      | 0.4              | (2.6)            | 148.5            | 1,659.5                   |
| Intangible Assets (4)                          | 80.7                         | 0.3              |                  | 35.2             | 116.2                     |
| Personal Property (5)                          | 109.7                        | 17.7             | (14.3)           |                  | 113.1                     |
| <u>Right to Use-Personal Property (6)</u>      | <u>16.5</u>                  |                  |                  |                  | <u>16.5</u>               |
| Total capital assets - Depreciated             | 3,467.4                      | 18.4             | (17.8)           | 190.2            | 3,658.2                   |
| <u>Less accumulated depreciation for:</u>      |                              |                  |                  |                  |                           |
| Buildings (7)                                  | (779.7)                      | (23.2)           | 0.8              |                  | (802.1)                   |
| Right to Use-Buildings (8)                     | (0.2)                        | (0.2)            |                  |                  | (0.4)                     |
| Other Improvements (9)                         | (984.6)                      | (39.5)           | 2.3              |                  | (1,021.8)                 |
| Intangible Assets (10)                         | (70.4)                       | (5.2)            | 0.1              |                  | (75.5)                    |
| Personal Property & Equipment (11)             | (81.3)                       | (6.7)            | 13.8             |                  | (74.2)                    |
| <u>Right to Use-Personal Property (12)</u>     | <u>(5.5)</u>                 | <u>(1.8)</u>     |                  |                  | <u>(7.3)</u>              |
| Total accumulated depreciation                 | (1,921.7)                    | (76.6)           | 17.0             | -                | (1,981.3)                 |
| Total capital assets being depreciated, net    | 1,545.7                      | (58.2)           | (0.8)            | 190.2            | 1,676.9                   |
| <b>Governmental Activity - Capital Assets,</b> |                              |                  |                  |                  |                           |
| <b>Net</b>                                     | <u>1,892.9</u>               | <u>182.0</u>     | <u>(0.8)</u>     | <u>0.1</u>       | <u>2,074.2</u>            |

- (1) The beginning balance for Building was adjusted by a total of (\$21.6) million. This represents a decrease of \$22.6 million to reflect the change in reporting categories for assets and an increase of \$1.0 million as a prior period adjustment to correct recorded asset values.
- (2) The beginning balance for Right to Use-Buildings was adjusted by a total of \$0.9 million to account for the implementation of GASB 87, Lease Accounting.
- (3) The beginning balance for Improvement was adjusted by a total of \$11.4 million. This represents an increase of \$16.4 million to reflect the change in reporting categories for assets and a decrease of \$5.0 million as a prior period adjustment to correct recorded asset values.
- (4) The beginning balance for Intangible assets was adjusted by a total of \$0.8 million to reflect the change in reporting categories for assets.
- (5) The beginning balance for Personal Property was adjusted by a total of (\$85.0) million. This represents an increase of \$5.1 million to reflect the change in reporting categories for assets and a decrease of \$90.1 million as a prior period adjustment to remove technology assets no longer tracked in the fixed asset system.
- (6) The beginning balance for Right to Use-Personal Property was adjusted by a total of \$16.5 million to account for implementation of GASB 87, Lease Accounting.
- (7) The beginning balance for Building Accumulated Depreciation was adjusted by a total of (\$13.1) million. This represents a decrease of \$12.3 million to reflect the change in reporting categories for assets and a decrease of \$0.8 million as a prior period adjustment to properly reflect accumulated depreciation.
- (8) The beginning balance for Right to Use-Building Amortization was adjusted by a total of \$0.2 million to account for implementation of GASB 87, Lease Accounting.
- (9) The beginning balance for Improvement Accum. Dep. was adjusted by a total of \$16.2 million. This represents an increase of \$11.7 million to reflect the change in reporting categories for assets and an increase of \$4.5 million as a prior period adjustment to properly reflect accumulated depreciation.
- (10) The beginning balance for Intangible Accumulated Depreciation was adjusted by a total of \$3.5 million. This represents an increase of \$3.5 million to reflect the change in reporting categories for assets.
- (11) The beginning balance for Personal Property Accumulated Depreciation was adjusted by a total of \$72.8 million. This represents an increase of \$2.4 million to reflect the change in reporting categories for assets and a decrease of \$75.2 million as a prior period adjustment to remove technology asset depreciation no longer tracked in the fixed asset system.
- (12) The beginning balance for Right to Use-Personal Property Amortization was adjusted by a total of \$5.5 million. This represents an increase of \$5.5 million to account for implementation of GASB 87, Lease Accounting.

(Amounts in Millions of USD)

| Business-type Activities:                    | Beginning<br>Balance | Adjustment | Increases | Decreases | Ending<br>Balance |
|--|----------------------|------------|-----------|-----------|-------------------|
| <u>Capital assets not being depreciated:</u> |                      |            |           |           |                   |
| Land   | 90.9                 | -          | 9.6       | (0.1)     | 100.4             |
| Fine Arts                                    | 0.9                  | -          | -         | -         | 0.9               |
| Construction In Process                      | 226.2                | -          | 244.1     | (255.2)   | 215.1             |
| Total capital assets not being depreciated   | 318.0                | -          | 253.7     | (255.3)   | 316.3             |
| <u>Capital assets being depreciated:</u>     |                      |            |           |           |                   |
| Buildings                                    | 2,633.8              | -          | 125.9     | (4.9)     | 2,754.8           |
| Other Improvements                           | 392.6                | -          | 0.7       | -         | 393.3             |
| Equipment                                    | 605.6                | 0.4        | 34.5      | (0.5)     | 640.0             |
| Infrastructure                               | 2,152.3              | -          | 103.0     | (4.6)     | 2,250.7           |
| Total capital assets being depreciated       | 5,784.3              | 0.4        | 264.1     | (10.0)    | 6,038.8           |
| <u>Less accumulated depreciation for:</u>    |                      |            |           |           |                   |
| Buildings                                    | (1,493.6)            | -          | (61.6)    | 4.0       | (1,551.3)         |
| Other Improvements                           | (237.2)              | 0.7        | (11.7)    | (0.9)     | (249.1)           |
| Equipment                                    | (292.1)              | (0.8)      | (16.6)    | (1.6)     | (311.1)           |
| Infrastructure                               | (996.0)              | -          | (45.4)    | (2.6)     | (1,044.1)         |
| Total accumulated depreciation               | (3,018.9)            | (0.1)      | (135.3)   | (1.3)     | (3,155.6)         |
| Total capital assets being depreciated, net  | 2,765.5              | 0.3        | 128.8     | (11.3)    | 2,883.2           |
| Capital assets, net                          | 3,083.4              | 0.3        | 382.5     | (266.6)   | 3,199.6           |

## 6. NOTES PAYABLE

The Aviation Fund established a commercial paper (CP) program, which closed on August 22, 2019, in the amount of \$350 million to provide funding for capital projects currently approved by airlines. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia International Airport's CP Program will enable projects to be financed on an as-needed basis; lower the Airport's cost of borrowing, as amounts drawn can be closely matched to capital cash flow requirements; and limit negative arbitrage during the construction period for projects. CP Notes will be "rolled over" until long-term bonds are issued to refund the outstanding commercial paper. There were \$80.34 million notes outstanding at June 30, 2021.

As of June 30, 2021, the Aviation fund had outstanding letters of credit of \$80.34 million and unused letters of credit equal to \$269.7 million related to the CP program.

|                                | Beginning<br>Balance | Additions      | Reductions     | Ending<br>Balance |
|--------------------------------|----------------------|----------------|----------------|-------------------|
| Airport Commercial Paper Notes | \$ 155,262,000       | \$ 396,070,000 | \$ 470,989,000 | \$ 80,343,000     |

Pursuant to a contract between the City and the United States Department of Housing and Urban Development (HUD), the City borrows funds through the HUD Section 108 loan program for the purpose of establishing loan pools to finance qualifying businesses and specific development projects. These funds are placed in custodial accounts established by the Philadelphia Industrial Development Corporation (PIDC), as designee of the City, and are being administered on behalf of the City by PIDC. While the City is the primary borrower, PIDC, acting as the City's designee, makes the repayments on the City's HUD Section 108 Notes Payable. Loan repayments and investment proceeds from un-loaned funds are used to repay the Notes Payable. If there is a deficiency in these resources, the City authorizes PIDC to use Community Development Block Grant (CDBG) program income funds on hand at PIDC to repay the Notes Payable. From fiscal year 2006 through 2021, \$12.8 million of CDBG program income funds had been used to repay the debt. Collateral for repayment of the HUD Section 108 loans includes future CDBG entitlements due to the City from HUD.

As of June 30, 2021, HUD had disbursed \$150.0 million in loans to PIDC and the amount of outstanding HUD Section 108 Notes Payable was \$60.8 million. In connection with this Notes Payable, a corresponding receivable due from PIDC has been recorded under Other Assets on the Governmental Activities Statement of Net Position. The total amount of loans made from HUD to PIDC and amount of HUD loans that are left to be repaid differ from the amounts disclosed in the PIDC 12/31/20 audit report, as PIDC's audit reports are done on a calendar year basis and the HUD Contingent Liability Report is done on a fiscal year basis.

Scheduled repayments of the HUD Section 108 Notes Payable for the next five years and thereafter as of June 30, 2021 are as follows:

**HUD Section 108 Notes Payable, 5 Years and Thereafter**

Fiscal Year Ending June 30,

|            |                      |
|------------|----------------------|
| 2022       | 4,170,000            |
| 2023       | 4,381,000            |
| 2024       | 4,608,000            |
| 2025       | 2,807,000            |
| 2026       | 2,930,000            |
| Thereafter | 41,871,000           |
| Total      | <u>\$ 60,767,000</u> |

**PGW**, Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may sell short-term notes to either support working capital requirements or pay the costs of certain capital projects and other project costs. PGW may issue short-term notes in a principal amount, which, together with interest, may not exceed \$150.0 million outstanding to support working capital requirements. PGW may also issue additional short-term notes in an aggregate principal amount, which may not exceed \$120.0 million outstanding at any time to pay the costs of certain capital projects and other project costs. As of December 1, 2017, all notes are supported by a Note Purchase and Credit Agreement and a security interest in PGW's revenues. Prior to that, all notes were supported by two irrevocable letters of credit and a security interest in PGW's revenues. The Note Purchase and Credit Agreement supporting PGW's combined commercial paper programs set the maximum level of outstanding notes plus interest at \$120.0 million in FY 2021 and FY 2020, respectively. The commitment amount is \$120.0 million under the current credit agreements. The expiration date of the credit agreements is June 30, 2022. There were no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) or Gas Works Revenue Notes outstanding at August 31, 2021 and 2020.

**PPA**, On January 29, 2015, The Authority borrowed \$6,000,000 for the Philadelphia Airport Parking Garage Project in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures September 1, 2021, as a result of an extension. The balance of the note payable at March 31, 2021 and 2020, is \$4,783,453 and \$4,793,700, respectively.

On January 29, 2015, The Authority borrowed \$15,000,000 for the Philadelphia Airport Parking Garage in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures September 1, 2021, as a result of an extension. The balance of the note payable at March 31, 2021 and 2020, is \$13,459,260 and \$13,488,083, respectively.

The aggregate annual principal and sinking fund payments of debt at March 31, 2021, are as follows:

| Fiscal Year Ending March 31, | Notes Payable                     |                                  |                      |                                  |                       |
|------------------------------|-----------------------------------|----------------------------------|----------------------|----------------------------------|-----------------------|
|                              | Revenue Bonds<br>Principal Amount | Revenue Bonds<br>Interest Amount | Principal<br>Amount* | Notes Payable<br>Interest Amount | Total                 |
| 2022                         | \$ 15,286,943                     | \$ 3,797,601                     | \$ 18,242,713        | \$ 213,440                       | \$ 37,540,697         |
| 2023                         | 15,946,943                        | 3,062,808                        | -                    | -                                | 19,009,751            |
| 2024                         | 16,636,943                        | 2,286,326                        | -                    | -                                | 18,923,269            |
| 2025                         | 10,386,943                        | 1,649,118                        | -                    | -                                | 12,036,061            |
| 2026                         | 7,211,943                         | 1,256,439                        | -                    | -                                | 8,468,382             |
| 2027-2030                    | 27,548,377                        | 2,665,538                        | -                    | -                                | 30,213,915            |
|                              | <u>\$ 93,018,092</u>              | <u>\$ 14,717,830</u>             | <u>\$ 18,242,713</u> | <u>\$ 213,440</u>                | <u>\$ 126,192,075</u> |

\*These notes were refinanced on September 1, 2021.

## 7. DEBT PAYABLE

### A. PRIMARY GOVERNMENT LONG-TERM DEBT PAYABLE

#### (1) Governmental Debt Payable

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania for bonded indebtedness (General Obligation Bonds) payable principally from property taxes. As of June 30, 2021, the statutory limit for the City is \$12.6 billion, the General Obligation Debt, net of deductions authorized by law, is \$2.3 billion; leaving a legal debt borrowing capacity of \$10.3 billion. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims are typically paid by the General Fund. The following schedule reflects the changes in long-term liabilities for the fiscal year:

#### Long Term Debt Governmental Changes - Primary Government

(Amounts In Millions of USD)

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| <b>Governmental Activity</b>   |                              |                  |                   |                           |                                |
| Bonds Payable - General Obligation Bonds   |                              |                  |                   |                           |                                |
| Term Bonds   | 28.6                         |                  |                   | 28.6                      |                                |
| Refunding Bonds  | 1,005.9                      |                  | (52.4)            | 953.5                     | 54.5                           |
| Serial Bonds   | 689.5                        |                  | (35.8)            | 653.7                     | 37.7                           |
| Add: Bond Premium  | 155.3                        |                  | (22.3)            | 133.0                     |                                |
| Less: Unamortized Discount   | (0.0)                        |                  | 0.0               | (0.0)                     |                                |
| <b>Total Bonds Payable - General Obligation Bonds</b>                              | <b>1,879.3</b>               | <b>0.0</b>       | <b>(110.5)</b>    | <b>1,768.8</b>            | <b>92.2</b>                    |
| Bonds Payable - Blended Component Units  |                              |                  |                   |                           |                                |
| Term Bonds - PMA   | 148.1                        |                  | (5.1)             | 143.0                     | 5.4                            |
| Term Bonds - PICA  | 56.1                         |                  | (22.1)            | 34.0                      | 23.1                           |
| Add: Bond Premium  | 8.4                          |                  | (3.7)             | 4.7                       |                                |
| <b>Total Bonds Payable - Blended Component Units</b>                               | <b>212.6</b>                 | <b>-</b>         | <b>(30.9)</b>     | <b>181.7</b>              | <b>28.5</b>                    |
| <b>Total Bonds Payable</b>   | <b>2,091.9</b>               | <b>0.0</b>       | <b>(141.4)</b>    | <b>1,950.5</b>            | <b>120.7</b>                   |
| Obligations Under Lease & Service Agreements                                       |                              |                  |                   |                           |                                |
| Pension Service Agreement  | 687.0                        | 14.2             | (69.9)            | 631.3                     | 75.0                           |
| Neighborhood Transformation  | 185.2                        |                  | (12.2)            | 173.0                     | 12.8                           |
| One Parkway  | 22.2                         |                  | (2.7)             | 19.5                      | 2.9                            |
| Sports Stadium   | 67.7                         |                  | (4.9)             | 62.8                      | 5.1                            |
| PAID Series 2021   | 0.0                          | 137.0            |                   | 137.0                     | -                              |
| Stadium Series 2019A   | 147.6                        |                  | (10.3)            | 137.3                     | 11.0                           |
| Library  | 3.7                          |                  | (0.7)             | 3.0                       | 0.7                            |
| Cultural Corridor Bonds  | 76.1                         |                  | (4.8)             | 71.3                      | 5.0                            |
| City Service Agreement   | 299.8                        |                  | (42.2)            | 257.6                     | -                              |
| Affordable Housing Preservation Project  | 49.3                         |                  | (1.9)             | 47.4                      | 2.0                            |
| Philadelphia Museum of Art   | 9.6                          |                  | (0.3)             | 9.3                       | 0.4                            |
| PAID Rebuild Project Series 2018   | 76.6                         |                  | (3.0)             | 73.6                      | 3.1                            |
| Add: Bond Premium  | 64.0                         |                  | (9.8)             | 54.2                      |                                |
| <b>Total Obligations Under Lease &amp; Service Agreements</b>                      | <b>1,688.8</b>               | <b>151.2</b>     | <b>(162.7)</b>    | <b>1,677.3</b>            | <b>118.0</b>                   |
| Other Long-term Liabilities  |                              |                  |                   |                           |                                |
| Legal Claims   | 98.5                         | 109.4            | (47.8)            | 160.1                     |                                |
| Worker's Compensation Claims   | 241.2                        | 94.6             | (68.5)            | 267.3                     |                                |
| Medical Claims   | 20.2                         | 105.5            | (99.8)            | 25.9                      | 25.9                           |
| Termination Compensation Payable - Vacation Leave                                  | 271.3                        | 45.5             | (27.1)            | 289.7                     | 28.9                           |
| Termination Compensation Payable - Sick Leave                                      | 303.0                        | 36.0             | (30.3)            | 308.7                     | 30.8                           |
| Leases   | 238.9                        |                  | (5.5)             | 233.4                     | 5.7                            |
| <b>Total Other Long-term Liabilities</b>   | <b>1,173.1</b>               | <b>391.0</b>     | <b>(279.0)</b>    | <b>1,285.1</b>            | <b>91.3</b>                    |
| <b>Total Bonds Payable, Obligations Under Lease &amp; Svc Agreements, and OLTL</b> | <b>4,953.8</b>               | <b>542.2</b>     | <b>(583.1)</b>    | <b>4,912.9</b>            | <b>330.0</b>                   |
| Net Pension and OPEB Liability   |                              |                  |                   |                           |                                |
| Net Pension Liability  | 5,438.8                      | 0.2              | (1,223.4)         | 4,215.6                   | -                              |
| OPEB Liability   | 1,721.6                      | 138.2            | (2.1)             | 1,857.7                   | -                              |
| <b>Total Net Pension and OPEB Liability</b>  | <b>7,160.4</b>               | <b>138.4</b>     | <b>(1,225.5)</b>  | <b>6,073.3</b>            | <b>-</b>                       |
| <b>Governmental Activity Long-term Liabilities</b>                                 | <b>12,114.2</b>              | <b>680.6</b>     | <b>(1,808.6)</b>  | <b>10,986.2</b>           | <b>330.0</b>                   |

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

(Amounts in Millions of USD)

|                     |       | Interest Rates |    |       |   | Principal | Due Dates |      |    |      |
|---------------------|-------|----------------|----|-------|---|-----------|-----------|------|----|------|
| Governmental Funds: |       |                |    |       |   |           |           |      |    |      |
| City                | 1.829 | %              | to | 5.250 | % | 1,635.8   | Fiscal    | 2022 | to | 2042 |
| PMA                 | 2.750 | %              | to | 5.087 | % | 143.0     | Fiscal    | 2022 | to | 2044 |
| PICA                | 5.000 | %              | to | 5.000 | % | 34.0      | Fiscal    | 2022 | to | 2023 |
|                     |       |                |    |       |   | 1,812.8   |           |      |    |      |

- The City has General Obligation Bonds authorized and un-issued at year-end of \$697.8 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts in Millions of USD)

| <b>Fiscal Year</b> | <b>City Fund</b>    |                 | <b>Blended Component Units</b> |                 |                  |                 |
|--------------------|---------------------|-----------------|--------------------------------|-----------------|------------------|-----------------|
|                    | <b>General Fund</b> |                 | <b>PMA</b>                     |                 | <b>PICA</b>      |                 |
|                    | <u>Principal</u>    | <u>Interest</u> | <u>Principal</u>               | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2022               | 92.2                | 75.3            | 5.4                            | 6.7             | 23.1             | 1.7             |
| 2023               | 97.6                | 70.8            | 5.6                            | 6.4             | 10.9             | 0.5             |
| 2024               | 102.1               | 66.1            | 5.9                            | 6.1             | -                | -               |
| 2025               | 106.8               | 61.2            | 6.2                            | 5.8             | -                | -               |
| 2026               | 104.4               | 56.1            | 6.5                            | 5.5             | -                | -               |
| 2027-2031          | 536.6               | 204.5           | 29.2                           | 23.3            | -                | -               |
| 2032-2036          | 415.2               | 90.0            | 38.4                           | 15.9            | -                | -               |
| 2037-2041          | 172.6               | 17.5            | 34.4                           | 6.4             | -                | -               |
| 2042-2046          | 8.3                 | 0.2             | 11.3                           | 1.0             | -                | -               |
| Totals             | <u>1,635.8</u>      | <u>641.6</u>    | <u>143.0</u>                   | <u>77.1</u>     | <u>34.0</u>      | <u>2.2</u>      |

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

(Amounts in Millions of USD)

| <b>Fiscal Year</b> | <b>Lease &amp; Service Agreements</b> |                 |                                    |                 |                    |                 |                       |                 |
|--------------------|---------------------------------------|-----------------|------------------------------------|-----------------|--------------------|-----------------|-----------------------|-----------------|
|                    | <b>Pension Service Agreement</b>      |                 | <b>Neighborhood Transformation</b> |                 | <b>One Parkway</b> |                 | <b>Sports Stadium</b> |                 |
|                    | <u>Principal</u>                      | <u>Interest</u> | <u>Principal</u>                   | <u>Interest</u> | <u>Principal</u>   | <u>Interest</u> | <u>Principal</u>      | <u>Interest</u> |
| 2022               | 71.2                                  | 33.6            | 12.8                               | 8.4             | 2.9                | 1.0             | 16.1                  | 8.9             |
| 2023               | 26.7                                  | 33.1            | 13.4                               | 7.8             | 3.0                | 0.8             | 16.9                  | 8.2             |
| 2024               | 29.3                                  | 35.7            | 12.8                               | 7.1             | 3.2                | 0.7             | 17.7                  | 7.4             |
| 2025               | 27.2                                  | 37.5            | 13.4                               | 6.5             | 3.3                | 0.5             | 18.5                  | 6.5             |
| 2026               | 30.8                                  | 35.3            | 14.1                               | 5.8             | 3.5                | 0.4             | 19.4                  | 5.7             |
| 2027-2031          | 446.1                                 | 58.1            | 86.4                               | 17.6            | 3.7                | 0.2             | 111.5                 | 13.5            |
| 2032-2036          | -                                     | -               | 11.7                               | 3.4             | -                  | -               | -                     | -               |
| 2037-2041          | -                                     | -               | 8.5                                | 0.6             | -                  | -               | -                     | -               |
| Totals             | <u>631.3</u>                          | <u>233.3</u>    | <u>173.0</u>                       | <u>57.2</u>     | <u>19.5</u>        | <u>3.5</u>      | <u>200.1</u>          | <u>50.2</u>     |

(Amounts in Millions of USD)

| <b>Fiscal Year</b> | <b>Central Library</b> |                 | <b>Cultural Corridors</b> |                 | <b>City Svc Agreement</b> |                 |
|--------------------|------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|
|                    | <b>Principal</b>       | <b>Interest</b> | <b>Principal</b>          | <b>Interest</b> | <b>Principal</b>          | <b>Interest</b> |
| 2022               | 0.7                    | 0.1             | 5.0                       | 3.4             | -                         | 13.5            |
| 2023               | 0.7                    | 0.1             | 5.2                       | 3.2             | 64.7                      | 13.4            |
| 2024               | 0.8                    | -               | 5.5                       | 2.9             | 76.3                      | 10.8            |
| 2025               | 0.8                    | -               | 5.8                       | 2.6             | 79.2                      | 8.3             |
| 2026               | -                      | -               | 6.1                       | 2.3             | 80.6                      | 5.5             |
| 2027-2031          | -                      | -               | 35.5                      | 6.7             | 30.0                      | 10.9            |
| 2032-2036          | -                      | -               | 8.2                       | 0.2             | 63.7                      | 6.9             |
| Totals             | <u>3.0</u>             | <u>0.2</u>      | <u>71.3</u>               | <u>21.4</u>     | <u>394.6</u>              | <u>69.4</u>     |

(Amounts in Millions of USD)

| <b>Fiscal Year</b> | <b>Affordable Housing</b> |                 | <b>Museum of Art</b> |                 | <b>Rebuild Project</b> |                 |
|--------------------|---------------------------|-----------------|----------------------|-----------------|------------------------|-----------------|
|                    | <b>Principal</b>          | <b>Interest</b> | <b>Principal</b>     | <b>Interest</b> | <b>Principal</b>       | <b>Interest</b> |
| 2022               | 2.0                       | 2.3             | 0.4                  | 0.5             | 3.1                    | 3.7             |
| 2023               | 2.1                       | 2.2             | 0.4                  | 0.4             | 3.3                    | 3.5             |
| 2024               | 2.2                       | 2.1             | 0.4                  | 0.4             | 3.4                    | 3.4             |
| 2025               | 2.3                       | 2.0             | 0.4                  | 0.4             | 3.6                    | 3.2             |
| 2026               | 2.4                       | 1.9             | 0.4                  | 0.4             | 3.8                    | 3.0             |
| 2027-2031          | 11.0                      | 7.8             | 2.5                  | 1.6             | 17.1                   | 12.5            |
| 2032-2036          | 17.2                      | 4.3             | 3.2                  | 0.9             | 26.7                   | 7.3             |
| 2037-2041          | 8.2                       | 0.4             | 1.5                  | 0.1             | 12.6                   | 1.0             |
| Totals             | <u>47.4</u>               | <u>23.0</u>     | <u>9.2</u>           | <u>4.7</u>      | <u>73.7</u>            | <u>37.5</u>     |

(2) Business Type Debt Payable

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

Long Term Debt Business Changes - Business Type

(Amounts in Millions of USD)

| Business-Type Activity                                       | Beginning<br>Balance | Additions      | Reductions       | Ending<br>Balance | Due Within<br>One Year |
|--|----------------------|----------------|------------------|-------------------|------------------------|
| Bonds Payable  |                      |                |                  |                   |                        |
| General Obligation Bonds                                     | -                    | -              | -                | -                 | -                      |
| Revenue Bonds  | 3,498.7              | 1,182.2        | (1,069.9)        | 3,611.1           | 151.1                  |
| Notes from Direct Placement & Direct Borrowing               | 120.5                |                | (2.4)            | 118.1             | 118.1                  |
| Add: Bond Premium  | 315.0                | 134.1          | (81.8)           | 367.2             | -                      |
| <b>Total Bonds Payable</b>                                   | <b>3,934.2</b>       | <b>1,316.3</b> | <b>(1,154.1)</b> | <b>4,096.4</b>    | <b>269.2</b>           |
| Other Long Term Liabilities                                  |                      |                |                  |                   |                        |
| Indemnity Claims   | 5.2                  | 4.0            | (3.9)            | 5.3               |                        |
| Worker's Compensation Claims                                 | 26.9                 | 9.4            | (6.6)            | 29.7              |                        |
| Termination Compensation Payable - Vacation Leave            | 23.9                 | 5.1            | (2.5)            | 26.5              | 2.7                    |
| Termination Compensation Payable - Sick Leave                | 15.7                 | 3.4            | (1.5)            | 17.6              | 1.8                    |
| Arbitrage  | -                    |                |                  | -                 | -                      |
| <b>Total Other Long Term Liabilities</b>                     | <b>71.7</b>          | <b>21.9</b>    | <b>(14.5)</b>    | <b>79.1</b>       | <b>4.5</b>             |
| <b>Total Bonds Payable &amp; Other Long Term Liabilities</b> | <b>4,005.9</b>       | <b>1,338.2</b> | <b>(1,168.6)</b> | <b>4,175.5</b>    | <b>273.7</b>           |
| Net Pension and OPEB Liability                               |                      |                |                  |                   |                        |
| Net Pension Liability  | 657.1                |                | (151.1)          | 506.0             | -                      |
| Net OPEB Liability   | 213.8                | 17.0           | (0.3)            | 230.5             | -                      |
| <b>Total Net Pension and OPEB Liability</b>                  | <b>870.9</b>         | <b>17.0</b>    | <b>(151.4)</b>   | <b>736.5</b>      | <b>-</b>               |
| <b>Business-Type Activity Long-term Liabilities</b>          | <b>4,876.7</b>       | <b>1,355.2</b> | <b>(1,320.0)</b> | <b>4,911.9</b>    | <b>273.7</b>           |

The City has Business Type Debt - General Obligation Bonds authorized and un-issued at fiscal year-end of \$352.6 million. This includes \$211.6 million for the Enterprise Funds and \$92 million for **PGW**; and \$49.0 related to the City's Primary Government – G.O. Bonds.

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

(Amounts in Millions of USD)

|                            | Interest<br>Rates |   |    |       | Principal | Due Dates      |        |      |         |
|----------------------------|-------------------|---|----|-------|-----------|----------------|--------|------|---------|
| Water Fund                 | 0.247             | % | to | 5.000 | %         | 2,279.8        | Fiscal | 2022 | to 2055 |
| Aviation Fund              | 2.797             | % | to | 5.000 | %         | 1,449.4        | Fiscal | 2022 | to 2051 |
| Total Revenue Debt Payable |                   |   |    |       |           | <u>3,729.2</u> |        |      |         |

- In February 2019, the City Bond Committee approved the terms and provisions of its Water and Wastewater Revenue Refunding Bonds Series 2020 (Forward Delivery) to allow for the issuance in October 2020 of \$127.7 million of the Series 2020 Bonds to refund all the outstanding Series 2011A Bonds in the amount of \$135.0 million and to pay the costs of issuing the Series 2020 Bonds. The total proceeds of the Series 2020 Bonds will be \$138.6 million (which includes a premium of \$10.9 million). The interest rates of the bonds to be refunded will range from 4.500% to 5.000%. The interest rates of the newly issued bonds will be 5.000%. The transaction will result in a total savings to the City of \$17.2 million over the next 21 years and will result in an economic gain of \$10.1 million.



- In July 2020, the City issued \$296.6 million of Water and Wastewater Revenue Refunding Bonds; the Water and Wastewater Revenue Refunding Bonds Tax-Exempt, Series 2020A for \$201.5 million and the Water and Wastewater Revenue Refunding Bonds Series (Federally Taxable) 2020B for \$95.0 million. The City issued the bonds to finance (i) capital improvements to the City's Water and Wastewater Systems, including capitalized interest, (ii) the current refunding of the City's outstanding Water and Wastewater Revenue Bonds Variable Rate Series 1997B and the Water and Wastewater Revenue Bonds Series 2010C, (iii) the advance refunding of all or a portion of the City's outstanding Water and Wastewater Revenue Refunding Bonds Series 2011B, Water and Wastewater Revenue Refunding Bonds Series 2012 and Water and Wastewater Revenue Refunding Bonds Series 2013A, (iv) the cost of issuance relating to the Tax-Exempt Bonds and (v) the cost of issuance related to the Taxable Bonds. The fiscal year 2021 Water and Wastewater Revenue Refunding Bonds – Series 2020A and 2020B liability of \$296.6 million is reflected in the City's financial statements as another Long-Term Obligation.
- In June 2021, the City issued Water and Wastewater Revenue Refunding Bonds (Federally Taxable) Series 2021B for the amount of \$368.7 million. The City issued the bonds to finance (i) the advance refunding of the City's outstanding Water and Wastewater Revenue Bonds Series 2014A and 2015A, and (ii) the cost of issuance relating to the bonds. The fiscal year 2021 Water and Wastewater Revenue Refunding Bonds (Federally Taxable) – Series 2021B liability of \$368.7 million is reflected in the City's financial statements as another Long-Term Obligation.
- In October 2020, the City issued Airport Refunding Bonds, Series 2020A, B, & C in the original principal amount of \$389.2 million. The 2020A Bonds were issued for the purpose of providing funds, together with other available moneys, to: (i) refund all of the outstanding Series 2010A Airport Revenue Bonds, and (ii) pay the cost of issuance of the 2020A Bonds. The 2020B Bonds were issued for the purpose of providing funds to (i) refinance certain outstanding Commercial Paper Notes, and (ii) pay the cost of issuance of the 2020B Bonds. The 2020C Bonds were issued for the purpose of providing funds to (i) refund all of the outstanding Series 2010D Airport Revenue Bonds, (ii) refinance certain outstanding Commercial Paper Notes, and (iii) pay the cost of issuance of the 2020C Bonds. The fiscal year 2021 Airport Refunding Bonds, Series 2020A, B, & C liability of \$389.2 million is reflected in the City's financial statements as another Long-Term Obligation.
- In July 2010, the City of Philadelphia - Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B); bringing the total financing from PENNVEST to \$214.9 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment is due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

| <u>Date</u> | <u>Series</u> | <u>Maximum<br/>Loan<br/>Amount</u> | <u>Amount<br/>Received<br/>Through<br/>6/30/21</u> | <u>Current<br/>Balance<br/>Outstanding<br/>6/30/21</u> | <u>Purpose</u>               |
|-------------|---------------|------------------------------------|--|--|------------------------------|
| Oct 2009    | 2009B         | 42,886,030                         | 31,216,779   | 15,792,777   | Water Plant Improvements     |
| Oct 2009    | 2009C         | 57,268,193                         | 49,157,776   | 27,228,853   | Water Main Replacements      |
| Mar 2010    | 2009D         | 84,759,263                         | 75,744,096   | 42,253,537   | Sewer Projects               |
| Jul 2010    | 2010B         | 30,000,000                         | 30,000,000   | 19,633,990   | Green Infrastructure Project |
|             | <u>Totals</u> | <u>214,913,486</u>                 | <u>186,118,651</u>                                 | <u>104,909,157</u>                                     |                              |

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

(Amounts in Millions of USD)

| <u>Fiscal<br/>Year</u> | <u>Water Fund</u> |                 | <u>Aviation Fund</u> |                 | <u>Notes from Direct<br/>Placement</u> |                 |
|------------------------|-------------------|-----------------|----------------------|-----------------|--|-----------------|
|                        | <u>Principal</u>  | <u>Interest</u> | <u>Principal</u>     | <u>Interest</u> | <u>Principal</u>                       | <u>Interest</u> |
| 2022                   | 89.0              | 91.7            | 62.0                 | 61.8            | 118.1                                  | 2.9             |
| 2023                   | 84.3              | 93.2            | 63.4                 | 58.9            | -                                      | -               |
| 2024                   | 67.0              | 89.5            | 66.3                 | 56.0            | -                                      | -               |
| 2025                   | 70.0              | 86.6            | 87.2                 | 52.6            | -                                      | -               |
| 2026                   | 74.1              | 83.4            | 101.0                | 48.7            | -                                      | -               |
| 2027-2031              | 344.3             | 374.8           | 288.8                | 187.2           | -                                      | -               |
| 2032-2036              | 318.1             | 307.2           | 215.4                | 128.9           | -                                      | -               |
| 2037-2041              | 378.9             | 235.5           | 200.0                | 80.3            | -                                      | -               |
| 2042-2046              | 412.7             | 152.4           | 154.6                | 41.4            | -                                      | -               |
| 2047-2051              | 275.1             | 77.8            | 92.6                 | 5.7             | -                                      | -               |
| 2052-2056              | 166.2             | 13.9            | -                    | -               | -                                      | -               |
| Totals                 | <u>2,279.7</u>    | <u>1,606.1</u>  | <u>1,331.3</u>       | <u>721.6</u>    | <u>118.1</u>                           | <u>2.9</u>      |

### (3) Defeased Debt

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

(Amounts in Millions of USD)

|                            |              |
|----------------------------|--------------|
| <b>Governmental Funds:</b> |              |
| General Obligation Bonds   | 143.8        |
| <b>Enterprise Funds:</b>   |              |
| Water Fund Revenue Bonds   | <u>441.1</u> |
|                            | <u>584.9</u> |

### (4) Short-Term Borrowings

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid \$300.0 million in Tax Revenue Anticipation Notes by June 2021 plus interest. In accordance with statute, there are no temporary loans outstanding at year-end.

(Amounts in Millions of USD)

|  |                |
|--|----------------|
| <b>Tax Revenue Anticipation Notes:</b> |                |
| Balance July 1, 2020                   | -              |
| Additions                              | 300.0          |
| Deletions                              | <u>(300.0)</u> |
| Balance June 30, 2021                  | <u>-</u>       |

### (5) Arbitrage Liability

The City has several series of General Obligation and Revenue Bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. At June 30, 2021, the City had an arbitrage liability of \$1,922.71, of which \$242.91 was attributable to Water and \$1,679.80 was attributable to PGW.

**(6) Derivative Instruments**

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding as of June 30, 2021, classified by type, and the changes in fair value of such derivatives are as follows:

(Amounts in thousands)

| Governmental Activities          | Changes in Fair Value |         | Fair Value at June 30, 2021 |          |          |
|----------------------------------|-----------------------|---------|-----------------------------|----------|----------|
|                                  | Classification        | Amount  | Classification              | Amount   | Notional |
| Cash Flow Hedges:                |                       |         |                             |          |          |
| Pay fixed interest rate sw aps   | Deferred Outflow      | (8,067) | Debt                        | (22,484) | 100,000  |
|                                  | Deferred Outflow      | (2,956) | Debt                        | (7,659)  | 47,036   |
|                                  | Deferred Outflow      | (985)   | Debt                        | (2,552)  | 15,674   |
| <b>Business Type Activities:</b> |                       |         |                             |          |          |
| Cash Flow Hedges:                |                       |         |                             |          |          |
| Pay fixed interest rate sw aps   | Deferred Outflow      | (2,268) | Debt                        | (2,972)  | 60,400   |

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2021, along with the credit rating of the associated counterparty.

|                          |                      |                            |
|--------------------------|----------------------|----------------------------|
| City Entity:             | City GO              | Airport                    |
| Related Bond Series      | 2009B                | 2005C Refunding            |
| Initial Notional Amount  | \$313,505,000        | \$189,500,000              |
| Current Notional Amount  | \$100,000,000        | \$60,400,000               |
| Termination Date         | 8/1/2031             | 6/15/2025                  |
| Product                  | Fixed Payer Swap     | Fixed Payer Swap (1)       |
| Rate Paid by Dealer      | SIFMA                | SIFMA                      |
| Rate Paid by City Entity | 3.829%               | Multiple Fixed Rates       |
| Dealer                   | Royal Bank of Canada | JP Morgan Chase Bank, N.A. |
| Dealer Rating            | Aa2/AA-              | Aa2/A+                     |
| Fair Value (2)           | (\$22,484,470)       | (\$2,971,699)              |

1. The City received an upfront payment of \$6,536,800 for the related swaption. JPM exercised its option to enter into the swap on 6/15/2005. The swap includes a knock-out option whereby JPM has the right to terminate the swap if the 180-day SIFMA average exceeds 7.00%.

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

**a. City of Philadelphia 2009B General Obligation Bond Swap**

**Objective** In December 2007, the City entered into a swap to synthetically refund all or a portion of several series of outstanding bonds. The swap structure was used as a means to increase the City's savings when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed-rate structure. On July 28, 2009, the City terminated approximately \$213.5 million of the swap, fixed out the bonds related to that portion and kept the remaining portion of the swap, as well as, the related bonds as variable rate bonds backed with a letter of credit. The City paid a swap termination payment of \$15.5 million to RBC.

**Terms:** The swap was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of \$ 313.5 million). The swap confirmation was amended and restated effective August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2021, the swap had a notional amount of \$100 million and the associated variable rate bonds had a \$100 million principal amount. The bonds mature on August 1, 2031.

**Fair Value:** As of June 30, 2021, the swap had a negative fair value of \$22.484 million. This means that the City would have to pay this amount to terminate the swap. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

**Risk:** As of June 30, 2021, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2021, the rates were:

| <u>Term</u>                               | <u>Rates</u> |           |
|---|--------------|-----------|
| Interest Rate Swap                        |              |           |
| Fixed payment to RBC under swap           | Fixed        | 3.82900%  |
| Variable rate payment from RBC under swap | SIFMA        | -0.03000% |
| Net interest rate swap payments           |              | 3.79900%  |
| Variable rate bond coupon payments        | Weekly reset | 0.02000%  |
| Synthetic interest rate on bonds          |              | 3.81900%  |

*Swap payments and associated debt:*

As of June 30, 2021, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

| <u>Fiscal Year Ending</u> | <u>Variable Rate Bonds</u> |                 | <u>Interest Rate</u> |                       |
|---------------------------|----------------------------|-----------------|----------------------|-----------------------|
| <u>June 30</u>            | <u>Principal</u>           | <u>Interest</u> | <u>Swaps Net</u>     | <u>Total Interest</u> |
| 2022                      | \$0                        | \$20,000        | \$3,799,000          | \$3,819,000           |
| 2023                      | 0                          | 20,000          | 3,799,000            | 3,819,000             |
| 2024                      | 0                          | 20,000          | 3,799,000            | 3,819,000             |
| 2025                      | 0                          | 20,000          | 3,799,000            | 3,819,000             |
| 2026                      | 0                          | 20,000          | 3,799,000            | 3,819,000             |
| 2027-2031                 | 81,585,000                 | 71,741          | 13,627,203           | 13,698,944            |
| 2032                      | <u>18,415,000</u>          | <u>3,683</u>    | <u>699,586</u>       | <u>703,269</u>        |
| Total:                    | \$100,000,000              | \$175,424       | \$33,321,789         | \$33,497,213          |

| City Entity:             | City Lease<br>PAID            | City Lease<br>PAID                      |
|--------------------------|-------------------------------|---|
| Related Bond Series      | 2007B (Stadium)               | 2007B (Stadium)                         |
| Initial Notional Amount  | \$217,275,000                 | \$72,400,000                            |
| Current Notional Amount  | \$47,036,363                  | \$15,673,637                            |
| Termination Date         | 10/1/2030                     | 10/1/2030                               |
| Product                  | Fixed Payer Swap              | Fixed Payer Swap                        |
| Rate Paid by Dealer      | SIFMA                         | SIFMA                                   |
| Rate Paid by City Entity | 3.9713%                       | 3.9713%                                 |
| Dealer                   | JP Morgan Chase<br>Bank, N.A. | Merrill Lynch Capital<br>Services, Inc. |
| Dealer Rating            | Aa2/A+                        | A2/A- (Bank of<br>America Corp.)        |
| Fair Value (1)           | (\$7,659,283)                 | (\$2,552,341)                           |

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

**b. Philadelphia Authority for Industrial Development (PAID) 2007B and 2014A Swaps**

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

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

In May 2014, PAID fully refunded the 2007B-1 bonds with the 2014A bonds, a directly purchased note. The 2014As pay interest on a LIBOR-linked index. Concurrently, the two swaps were amended such that the floating rate index on the portions allocable to the 2007B-1 bonds were converted from SIFMA to the same LIBOR-based index as the 2014A bonds. One of the LIBOR-based swaps, with a notional amount of \$87.96 million, was documented under a separate trade confirmation with JP Morgan Chase Bank. The other LIBOR-based swap, with a notional amount of \$29.31 million, was documented under a separate trade confirmation with Merrill Lynch Capital Services, Inc. Under the LIBOR-based swaps, PAID pays a fixed rate of 3.62% and 3.632% (to JPMorgan and Merrill Lynch, respectively), and receives 70% of 1-month LIBOR. The payments are based on an amortizing notional schedule.

In July 2014, PAID refunded the 2007B-4 bonds, and terminated the allocable portions of the SIFMA-based swaps. PAID terminated \$41.56 million of notional of the JP Morgan SIFMA-based swap and \$13.84 million of notional of the Merrill Lynch SIFMA-based swap, representing the 2015-2018 maturities of each, and paid a total termination payment of \$5.56 million. Costs to finance this termination payment were more than offset by refunding savings generated on the bonds, so the City will receive positive cashflow savings from the transaction in every fiscal year that the bonds are outstanding.

In September 2019, the 2014A swaps were fully terminated in connection with the refunding of the associated bonds. PAID made termination payments of \$14.493 million to JPM and \$4.774 million to MLCS. The 2007B swaps were partially terminated with JPM in the amount of \$33,455,654 in conjunction with the refunding of a portion of its Series 2007B bonds with the 2019 bonds. PAID made a termination payment of \$6,051,000 to JPM. PAID terminated a portion of the swap with MLCS in the amount of \$11,149,346 in conjunction with the refunding of a portion of its Series 2007B bonds with the 2019 bonds. PAID made a termination payment of \$1,998,000 to MLCS.

As of June 30, 2021, the swaps together had a notional amount of \$62.710 million which matched the principal amount of the associated variable rate bond deals. Payments under these swaps are lease rental obligations of the City.

*Fair Value:* As of June 30, 2021, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of \$7.659 million, the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of \$2.552 million. This means that **PAID** would have to pay these amounts to terminate the swaps. The fair values reflect the effect of non-performance risk, which includes credit risk. The fair values of the swaps were measured using the income approach and are categorized within Level 2 of the fair value hierarchy.

*Risks:* As of June 30, 2021, **PAID** was not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk on the SIFMA-based swaps should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2021, the rates for the JPMorgan SIFMA-based swap were:

| <u>Term</u>                          | <u>Rates</u> |           |
|--------------------------------------|--------------|-----------|
| Interest Rate Swap                   |              |           |
| Fixed payment to JP Morgan           | Fixed        | 3.97130%  |
| Variable rate payment from JP Morgan | SIFMA        | -0.03000% |
| Net interest rate swap payments      |              | 3.94130%  |
| Variable rate bond coupon payments   | Weekly reset | 0.03000%  |
| Synthetic interest rate on bonds     |              | 3.97130%  |

As of June 30, 2021, the rates for the Merrill Lynch SIFMA-based swap were:

| <u>Term</u>                        | <u>Rates</u> |           |
|------------------------------------|--------------|-----------|
| Interest Rate Swap                 |              |           |
| Fixed payment to MLCS              | Fixed        | 3.97130%  |
| Variable rate payment from MLCS    | SIFMA        | -0.03000% |
| Net interest rate swap payments    |              | 3.94130%  |
| Variable rate bond coupon payments | Weekly Reset | 0.03000%  |
| Synthetic interest rate on bonds   |              | 3.97130%  |

*Swap payments and associated debt:*

As of June 30, 2021, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

| Fiscal Year Ending |    | <u>Variable Rate Bonds</u> |                  |    | Interest Rate    |                     |
|--------------------|----|----------------------------|------------------|----|------------------|---------------------|
| June 30            |    | Principal                  | Interest         |    | Swaps Net        | Total Interest      |
| 2022               | \$ | \$ 3,865,864               | \$ 14,111        | \$ | 1,853,844        | \$ 1,867,955        |
| 2023               | \$ | 4,031,636                  | \$ 12,951        | \$ | 1,701,479        | \$ 1,714,430        |
| 2024               | \$ | 4,204,522                  | \$ 11,742        | \$ | 1,542,580        | \$ 1,554,322        |
| 2025               | \$ | 4,384,136                  | \$ 10,480        | \$ | 1,376,867        | \$ 1,387,347        |
| 2026               | \$ | 4,575,773                  | \$ 9,165         | \$ | 1,204,075        | \$ 1,213,240        |
| <u>2027-2031</u>   | \$ | <u>25,974,432</u>          | <u>\$ 24,027</u> | \$ | <u>3,156,588</u> | <u>\$ 3,180,615</u> |
| Total:             | \$ | 47,036,363                 | \$ 82,476        | \$ | 10,835,434       | \$ 10,917,910       |

| Fiscal Year Ending | Variable Rate Bonds |                  |          |              | Interest Rate       |                     |
|--------------------|---------------------|------------------|----------|--------------|---------------------|---------------------|
| June 30            | Principal           |                  | Interest |              | Swaps Net           | Total Interest      |
| 2022               | \$                  | \$ 1,289,136     | \$       | 4,702        | \$ 617,745          | \$ 622,447          |
| 2023               | \$                  | 1,343,364        | \$       | 4,315        | \$ 566,936          | \$ 571,252          |
| 2024               | \$                  | 1,400,478        | \$       | 3,912        | \$ 513,990          | \$ 517,903          |
| 2025               | \$                  | 1,460,864        | \$       | 3,492        | \$ 458,793          | \$ 462,285          |
| 2026               | \$                  | 1,524,227        | \$       | 3,054        | \$ 401,216          | \$ 404,270          |
| <u>2027-2031</u>   | \$                  | <u>8,655,568</u> | \$       | <u>8,007</u> | <u>\$ 1,051,932</u> | <u>\$ 1,059,939</u> |
| Total:             | \$                  | 15,673,637       | \$       | 27,483       | \$ 3,610,613        | \$ 3,638,096        |

**c. Philadelphia Airport Swap**

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

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

As of June 30, 2021, the swap had a notional amount of \$60.4 million and the associated variable-rate bonds had a \$60.4 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

*Fair Value:* As of June 30, 2021, the swap had a negative fair value of \$2.972 million. This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

*Risk:* As of June 30, 2021, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2.

As of June 30, 2021, the rates were:

| <u>Terms</u>                         | <u>Rates</u>    |                 |
|--------------------------------------|-----------------|-----------------|
| Interest Rate Swap                   |                 |                 |
| Fixed payment to JP Morgan           | Fixed-declining | <b>2.91669%</b> |
| Variable rate payment from JP Morgan | SIFMA           | -0.03000%       |
| Net interest rate swap payments      |                 | 2.88669%        |
| Variable rate bond coupon payments   | Weekly resets   | 0.04000%        |
| Synthetic interest rate on bonds     |                 | 2.92669%        |

*Swap payments and associated debt:*

As of June 30, 2021, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows.

| <u>Fiscal Year Ending</u> | <u>Variable Rate Bonds</u> |                 | <u>Interest Rate</u> |                       |
|---------------------------|----------------------------|-----------------|----------------------|-----------------------|
| <u>June 30</u>            | <u>Principal</u>           | <u>Interest</u> | <u>Swaps Net</u>     | <u>Total Interest</u> |
| 2022                      | \$14,300,000               | \$24,160        | \$1,589,706          | \$1,613,866           |
| 2023                      | 14,900,000                 | 18,440          | 1,043,126            | 1,061,566             |
| 2024                      | 15,400,000                 | 12,480          | 601,550              | 614,030               |
| 2025                      | 15,800,000                 | 6,320           | 256,550              | 262,870               |
| Total:                    | \$60,400,000               | \$61,400        | \$3,490,932          | \$3,552,332           |

**(7) Pension Service Agreement**

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued \$1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The fiscal year 2021 Pension Funding Bonds liability of \$631.3 million is reflected in the City's financial statements as another Long-Term Obligation.

**(8) Neighborhood Transformation Initiative Service Agreement**

In March 2005, **PRA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of \$25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of \$44.0 million, with interest rates ranging from 4.75% through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for \$81.3 million and mature through 2031. In Fiscal 2012, **PRA** issued \$91.3 million City of Philadelphia Neighborhood Transformation Initiative (NTI) Revenue Refunding Series 2012 Bonds. These bonds were issued to refund the City of Philadelphia Revenue Bonds, Series 2002A, originally issued in the aggregate principal amount of \$124 million. The bonds are subject to optional redemption prior to maturity. Interest on the series bonds range from 2% to 5% and is payable on April 15 and October 15 each year until maturity in 2026. In April 2015, **PRA** issued the Series 2015A, \$73.2 million and the Series 2015B, \$38.3 million - Revenue Refunding Bonds. The 2015A and 2015B Bonds were issued for the purpose of Refunding the 2005B and 2005C bonds and to pay for the cost of issuance of the 2015A & 2015B Bonds. In October 2018, **PRA** issued \$40.0 million of City Service Agreement Revenue Bonds Series 2018. The total proceeds were \$40.0 million (and the Bonds were issued with no premium). The proceeds of the sale were used to finance the Authority's Home Repair Program and to pay the costs of issuing the 2018 Bonds. The interest rates of the newly issued Bonds range from 3.171% to 4.552%. The fiscal year 2021 NTI Service Agreement liability of \$173.0 million is reflected in the City's financial statements as another Long-Term Obligation.



**(9) Sports Stadium Financing Agreement**

In FY 2002, **PAID** issued \$346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of **PAID**. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. In October 2007 **PAID** issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2021, the Sports Stadium Financing Agreement liability of \$62.7 million is reflected in the City's financial statements as Other Long-Term Liabilities.

**(10) Philadelphia Free Library**

In August of 2005, **PAID** issued \$10,780,000 of Lease Revenue Bonds for the Philadelphia Free Library Project. These bonds were issued to provide financing for a portion of the construction costs related to the expansion and renovation of the Central library of the Free Library of Philadelphia. The bonds are non-recourse obligations of **PAID**, payable solely from rental payments made by the City to **PAID**, which will be sufficient to pay the principal and interest due. The cumulative principal repayment on the Lease Revenue Bonds as of December 31, 2016 and 2015 was \$4,125,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Philadelphia Central Library Project, Series 2016B. In fiscal 2021 the liability of \$3.0 million is reflected in the City's financial statements as Other Long-Term Liabilities.

**(11) Cultural and Commercial Corridors Program Financing Agreement**

In December 2006, **PAID** issued \$135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds were used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. The Series A Bonds began principal repayment in 2010. The Series B Bonds were paid off during 2009. As of December 31 2016 and 2015, the cumulative principal balance repaid for the Series A Bonds was \$22,230,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Cultural and Commercial Corridors Program, Series 2016A. In fiscal 2021 the liability of \$71.4 million is reflected in the City's financial statements as Other Long-Term Liabilities.

**(12) City Service Agreement**

In December 2012, **PAID** issued City Service Agreement Refunding Revenue Bonds, Series 2012 in the amount of \$299.8 million. The bonds were issued as term Bonds with interest rates of 3.664% (\$42.2 million) and 3.964% (\$257.6 million). The term bonds have a maturity date of April 15, 2026. The bonds were issued to refund outstanding Pension Funding Bonds Series 1999B, fund interest on the Bonds through April 15, 2020, make a deposit to the City Retirement System and pay the cost of issuance of the Bonds. The bond is payable as set forth in the Service Agreement solely from revenues of the City. The debt service payments begin in 2021. The reacquisition price exceeded the net carrying value of the old debt by \$23.1 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The portion of the Series 1999B Bonds that were refunded are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. In fiscal year 2021, the liability of \$257.6 million is reflected in the City's financial statements as Other Long-Term Liabilities.

**(13) City Service Agreement – Affordable Housing Series 2017**

In August 2017, **PAID** issued \$52.9 million of City Service Agreement Revenue Bonds Series 2017. The total proceeds of the 2017 Bonds were \$60.8 million (which includes a premium of \$7.9 million). The 2017 Bonds were issued to finance certain costs of the City's affordable housing preservation programs and to pay the costs of issuing the 2017 Bonds. The interest rates for the 2017 Bonds range from 3.0% to 5.0%. In fiscal year 2021, the \$47.4 million liability for the Affordable Housing Preservation Series 2017 Bonds is reflected in the City's financial statement as another Long-Term Obligation.

**(14) City Service Agreement – Philadelphia Museum of Art - 2018A & One Benjamin Franklin Parkway 2018B**

In April 2018, **PAID** issued \$37.9 million of City Service Agreement Revenue Bonds Series 2018A and Series 2018B. The total proceeds of the 2018A Bonds were \$11.6 million (which includes a premium of \$1.3 million). The Philadelphia Museum of Art - Series 2018A Bonds were issued to finance certain costs of the Energy Project of the Philadelphia Museum of Art. The interest rates for the 2018A Bonds is 5.0%. The total proceeds of the One Benjamin Franklin Parkway – Series 2018B Bonds were \$30.5 million (which includes a premium of \$2.9 million). The 2018B Bonds were issued to refund all \$29.6 million of the Series 2007C Bonds and to pay the costs of issuing the 2018B Bonds. The interest rates for the 2018B Bonds is 5.0%. The interest rates of the refunded bonds range from 4.1% to 5.3%. The transaction resulted in a total savings to the City of \$2.3 million over the next 9 years. The

difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was \$2.1 million. In fiscal year 2021, the liability of \$9.2 million for the Philadelphia Museum of Art - Series 2018A Bonds and the \$19.5 million liability for the One Benjamin Franklin Parkway – Series 2018B Bonds, is reflected in the City's financial statement as another Long-Term Obligation.

**(15) City Service Agreement – City's Parks and Recreation and the Free Library System of Philadelphia**

In November 2018, PAID issued \$79.5 million in City Service Agreement Revenue Bonds, Series 2018. The total proceeds were \$87.7 million (which includes a premium of \$8.2 million). The 2018 bonds were issued at an interest rate of 5%. The 2018 bonds were issued for the purpose of providing funds to (A) finance certain costs of improvements to, and construction, demolition, renovation, and equipping of, certain City parks, libraries, playgrounds, recreation centers and other related facilities (Rebuild Project), and (B) pay the costs of issuing the 2018 bonds. In fiscal year 2021, the liability of \$73.7 million for the City's Parks and Recreation and the Free Library System of Philadelphia – City Service Agreement Revenue Bonds, Series 2018, is reflected in the City's financial statement as another Long-Term Obligation.

**(16) PAID**, on September 2019, the City issued PAID Series 2019 Lease Revenue Refunding Bonds of \$147.6 million to (i) refund all of the outstanding 2007B-3 Bonds and the 2014A Bonds, (ii) pay certain cost of terminating the swap agreements related to the Refunded Bonds, and (iii) pay the cost of issuing the 2019 Bonds. The total proceeds were \$176.9 million (which included a premium of \$29.3 million). The interest rates of the Bonds that were refunded ranged from 3.623% to 3.971%. The interest rates of the newly issued Bonds are 5.000%. The transaction resulted in a total savings to the City of (\$2.2) million over the next 12 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was (\$2.8) million. In fiscal year 2021, the liability of \$137.4 million for the 2019 Lease Revenue Refunding Bonds is reflected in the City's financial statements as another Long-Term Obligation.

**(17) PAID**, on March 2021, the City issued PAID - City Service Agreement Revenue Refunding Bonds, Series 2021 of \$137.0 million. The 2021 Bonds are being issued to (i) refund to maturity \$16,382,100 (issuance value) of the Authority's Pension Funding Bonds (City of Philadelphia Retirement System), Series 1999B due on April 15, 2021 (the "1999B Refunded Bonds"), including accreted amounts thereon (i.e., totaling to a maturity value of \$70,000,000), refund \$19,030,000 of the April 15, 2022 maturity of the 2012 Bonds on April 7, 2021 by optional redemption and the remaining \$23,180,000 balance of the April 15, 2022 maturity of the 2012 Bonds due on April 15, 2021 by mandatory redemption, together with accrued interest thereon (the "2012 Refunded Bonds," and together with the 1999B Refunded Bonds, the "Refunded Bonds"), and refund the interest due on the remaining 2012 Bonds on their interest payment dates from April 15, 2021 through and including April 15, 2022, (ii) fund interest on the 2021 Bonds until April 15, 2023, and (iii) pay the costs of issuing the 2021 Bonds. The City is undertaking such refundings to achieve budgetary savings in its Fiscal Years ending June 30, 2021 and 2022. No proceeds of the 2021 Bonds will be used to make a deposit to the City Retirement System. In fiscal year 2021, the liability of \$137.0 million for the PAID - City Service Agreement Revenue Refunding Bonds, Series 2021 is reflected in the City's financial statements as another Long-Term Obligation.

**(18) Net Pension Liability**

Net Pension Liabilities at June 30, 2014 was \$404.7 million and \$49.7 million for the Governmental and Business Type Activities, respectively. As a result of a change in accounting principle (implementation of GASB 68) the beginning FY 2015 Net Position was adjusted by \$4.7 billion and \$579.7 million for Governmental and Business Type Activities respectively. During FY 2021, the Governmental Activities' Net Pension Liabilities (NPL) decreased by \$1.2 billion, resulting in a Net Pension Liability of \$4.2 Billion. During FY 2021, the Business Type Activities' NPL decreased by \$151.2 million, resulting in a Net Pension Liability of \$506.0 million.

**B. COMPONENT UNIT LONG-TERM DEBT PAYABLE**

**(1) Governmental Debt Payable**

The SDP has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year-end total \$3,128.5 million in principal, with interest rates from 1.25% to 6.765% and have due dates from 2022 to 2045. The following schedule reflects the changes in long-term liabilities for the SDP:

(Dollars in Millions)

|  | Balance<br>July 1, 2020 | Additions       | Reductions        | Balance<br>June 30, 2021 | Due Within<br>One Year |
|--|-------------------------|-----------------|-------------------|--------------------------|------------------------|
| <b>Governmental Activities:</b>                |                         |                 |                   |                          |                        |
| General Obligation Bonds/Lease Rental Debt (2) |                         |                 |                   |                          |                        |
| General Obligation Bonds                       | \$ 2,337.2              | \$              | \$ (124.6)        | \$ 2,212.6               | \$ 131.2               |
| SPSBA-Lease Rental Debt                        | 940.7                   |                 | (24.8)            | 915.9                    | 25.9                   |
| Bond Premium                                   |                         |                 |                   |                          |                        |
| General Obligation Bonds                       | 200.3                   |                 | (55.9)            | 144.4                    | 20.5                   |
| SPSBA-Lease Rental Debt                        | 71.1                    | 5.0             | (20.7)            | 55.4                     | 7.2                    |
| Bond Discounts                                 | (1.4)                   | -               | 0.7               | (0.7)                    | (0.1)                  |
| Total Bonded Debt                              | 3,547.9                 | 5.0             | (225.3)           | 3,327.6                  | 184.7                  |
| Compensated Absences                           | 194.6                   | 25.3            | (16.1)            | 203.8                    | 14.2                   |
| Lease Purchase Obligations (3)                 | 11.7                    | -               | (1.9)             | 9.8                      | 1.7                    |
| Due to Other Governments                       |                         |                 |                   |                          |                        |
| -Deferred Reimbursement                        | 45.3                    | -               | -                 | 45.3                     | 45.3                   |
| Other Liabilities (4)                          | 109.8                   | 32.2            | (32.5)            | 109.5                    | 29.3                   |
| Incurred But Not Received (IBNR) Payable (5)   | 16.5                    | 5.9             | -                 | 22.4                     | 22.4                   |
| OPEB Life Insurance Liability                  | 16.9                    | 3.7             | (0.8)             | 19.8                     | -                      |
| PSERS OPEB Liability                           | 159.9                   | 12.9            | (8.9)             | 163.9                    | -                      |
| PSERS Pension Liability                        | 3,518.2                 | 570.1           | (354.2)           | 3,734.1                  | -                      |
| Governmental Activity-Long-Term Liabilities    | <u>\$ 7,620.8</u>       | <u>\$ 655.1</u> | <u>\$ (639.7)</u> | <u>\$ 7,636.2</u>        | <u>\$ 297.6</u>        |
| <b>Business-Type Activities:</b>               |                         |                 |                   |                          |                        |
| Compensated Absences                           | \$ 2.2                  | \$ 0.2          | \$ (0.2)          | \$ 2.2                   | \$ -                   |
| Lease Purchase Obligations (3)                 | 0.4                     | -               | (0.2)             | 0.2                      | 0.2                    |
| PSERS OPEB Liability                           | 2.5                     | 0.2             | (0.1)             | 2.6                      | -                      |
| PSERS Pension Liability                        | 53.3                    | 8.6             | (5.4)             | 56.5                     | -                      |
| Business-Type Activity-Long-Term Liabilities   | <u>\$ 58.4</u>          | <u>\$ 9.0</u>   | <u>\$ (5.9)</u>   | <u>\$ 61.5</u>           | <u>\$ 0.2</u>          |

1. Long-term obligations include compensated absences, unemployment, workers' compensation and claims and judgments liabilities are accrued to the governmental funds to which the individual fund is charged. These liabilities are then liquidated by the General Fund. In addition, OPEB and Arbitrage liabilities are fully liquidated by the General Fund.
2. Restated beginning balance to separate debt into General Obligation Bonds and SPSBA Lease Rental Debt.
3. Implemented GASBS #87 during fiscal year 2021
4. Other liabilities reported on the financial statements under long-term obligations include workers compensation, unemployment liabilities, claims & judgments, and IBNR liabilities.
5. IBNR is included with the Self Insurance Health Care Internal Service Fund.

The **SDP** Debt service to maturity on general obligation bonds at June 30, 2021 is summarized as follows:  
(Excludes debt issued through the State Public School Building Authority).

**Governmental Activities**

(Dollars in Thousands)

| Year Ending<br>June 30 | Interest<br>Rates | Principal           | Interest            | Total               |
|------------------------|-------------------|---------------------|---------------------|---------------------|
| 2022                   | 1.250 - 5.995     | \$ 131,135          | \$ 107,802          | \$ 238,937          |
| 2023                   | 1.250 - 5.995     | 164,675             | 101,685             | 266,360             |
| 2024                   | 3.000- 6.059      | 109,985             | 95,749              | 205,734             |
| 2025                   | 3.000- 6.209      | 106,550             | 90,344              | 196,894             |
| 2026                   | 3.000- 6.615      | 112,415             | 84,865              | 197,280             |
| 2027 - 2031            | 3.000- 6.615      | 640,480             | 338,460             | 978,940             |
| 2032- 2036             | 3.000 - 6.765     | 354,745             | 194,004             | 548,749             |
| 2037 - 2041            | 3.000 - 6.765     | 283,280             | 107,354             | 390,634             |
| 2042 - 2046            | 3.000 - 6.765     | 309,385             | 25,291              | 334,676             |
| Total                  |                   | <u>\$ 2,212,650</u> | <u>\$ 1,145,554</u> | <u>\$ 3,358,204</u> |

**(2) Business Type Debt Payable**

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

(Amounts In Thousands of USD)

| Entity                     | Interest Rates | Principal        | Due Dates           |
|----------------------------|----------------|------------------|---------------------|
| PGW                        | 2.00% to 5.25% | 1,058,630        | Fiscal 2022 to 2050 |
| PPA                        | 2.58% to 5.25% | 93,018           | Fiscal 2022 to 2030 |
| CCP                        | 2.00% to 5.00% | 77,080           | Fiscal 2022 to 2040 |
| PHA                        | 3.00% to 5.50% | 39,105           | Fiscal 2022 to 2051 |
| Total Revenue Debt Payable |                | <u>1,267,833</u> |                     |

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

*(Amounts in Millions of USD)*

| Fiscal Year | Philadelphia Gas Works † |          | Philadelphia Parking Authority |          | Community College of Philadelphia |          | Philadelphia Housing Authority ‡ |          |
|-------------|--------------------------|----------|--------------------------------|----------|-----------------------------------|----------|----------------------------------|----------|
|             | Principal                | Interest | Principal                      | Interest | Principal                         | Interest | Principal *                      | Interest |
| 2022        | 54.03                    | 43.50    | 15.29                          | 3.79     | 7.60                              | 3.46     | 12.89                            | 1.81     |
| 2023        | 56.49                    | 40.75    | 15.94                          | 3.06     | 7.98                              | 3.08     | 6.09                             | 1.34     |
| 2024        | 62.36                    | 38.34    | 16.64                          | 2.28     | 6.24                              | 2.68     | 2.86                             | 1.20     |
| 2025        | 57.93                    | 36.23    | 10.39                          | 1.65     | 6.55                              | 2.37     | 2.06                             | 1.17     |
| 2026        | 60.30                    | 34.47    | 7.21                           | 1.26     | 6.00                              | 2.04     | 1.37                             | 1.14     |
| 2027-2031   | 234.19                   | 145.88   | 27.55                          | 2.67     | 20.53                             | 6.13     | 3.85                             | 5.17     |
| 2032-2036   | 199.55                   | 100.23   | -                              | -        | 13.00                             | 3.05     | 4.66                             | 4.35     |
| 2037-2041   | 151.12                   | 62.51    | -                              | -        | 9.19                              | 0.68     | 5.65                             | 3.37     |
| 2042-2046   | 119.25                   | 33.32    | -                              | -        | -                                 | -        | 7.22                             | 1.80     |
| 2047-2050   | 63.44                    | 6.84     | -                              | -        | -                                 | -        | 3.44                             | 0.17     |
| Totals      | 1058.63                  | 542.06   | 93.02                          | 14.71    | 77.08                             | 23.48    | 50.09                            | 21.51    |

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2021

\* - PHA amounts are presented as of March 31, 2021

\* Includes only PHA debt service amounts, it does not include any amounts related to PHA discretely presented component units.

\* PHA principal amounts include capital lease obligations for years 2022 thru 2026 totaling \$5.5 million.

### (3) Defeased Debt

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

*(Amounts in Millions)*

|                                 |                 |
|---------------------------------|-----------------|
| Philadelphia Gas Works †        | \$ -            |
| School District of Philadelphia | 172.8           |
| Total                           | <u>\$ 172.8</u> |

† Gas Works amounts are presented as of August 31, 2021

**PGW**, at August 31, 2021, there were no remaining assets held by the trustee in pledge of the defeased bonds.

In FY 2020, the fiscal agent with respect to Gas Works Revenue Bonds paid the remaining maturing principal of the defeased bonds in the amount of \$61.5 million and \$5.6 million in a manner consistent with the Notices of Defeasance for the Ninth Series and the Twelfth Series B Gas Works Revenue Bonds, respectively. At August 31, 2021, there were no remaining assets held by the trustee in pledge of the defeased bonds.

**SDP**, as in prior years, the School District defeased certain general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As of June 30, 2021, \$172.8 million of bonds outstanding are defeased and the liability has been removed from long-term liabilities. This consists of \$172.1 million for advance refunded debt and \$0.7 million related to Sale of District property.

**(4) Arbitrage**

SDP, Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2019, the arbitrage rebate calculation indicated a liability totaling \$54,833. This arbitrage liability of \$54,833 relates to GOB Series 2010E, 2010F and 2010G. This was the final rebate calculation provided.

During FY2020, the SDP established a \$54,833 reserve under the Capital Projects Funds fund balance and a \$54,833 contingent liability in the governmental activities' column of the government-wide statement of net position. The actual amount due at "Installment Rebate Payment Date" was subject to change due to bond. As such the District's actual arbitrage payment to the Internal Revenue Service was \$62,736 paid on October 31, 2020.

During FY2021, the District removed both the reserve under the fund balance of the Capital Projects Fund and the arbitrage liability \$54,833 from the governmental activities' column of the government-wide statement.

**(5) Derivative Instruments**

**a. PGW Interest Rate Swap Agreement**

*Objective* – In January 2006, the City entered into a fixed rate payor, floating rate receiver interest rate swap to create a synthetic fixed rate for the Sixth Series Bonds. The variable rate/swap structure was used as a means to increase the City's savings, when compared with fixed-rate refunding bonds at the time of issuance. The swaps are hedging interest rate risk.

*Terms* – The swap was originally executed with the counterparty on January 26, 2006 and had an original termination date of August 1, 2031, which was amended to August 1, 2028 in 2011. Under the swap, the City pays a fixed rate of 3.6745% and received a variable rate equal to 70.0% of one-month LIBOR until maturity.

As of August 31, 2021, the swaps had a notional amount of \$122.8 million and the associated variable rate debt had a \$122.8 million principal amount, broken down by series as follows:

- The Series B swap had a notional amount of \$27.4 million and the associated variable rate bonds had a \$27.4 million principal amount.
- The Series C swap had a notional amount of \$27.2 million and the associated variable rate bonds had a \$27.2 million principal amount.
- The Series D swap had a notional amount of \$40.8 million and the associated variable rate bonds had a \$40.8 million principal amount.
- The Series E swap had a notional amount of \$27.4 million and the associated variable rate bonds had a \$27.4 million principal amount.

The final maturity date for all swaps is on August 1, 2028.

*Fair value* – As of August 31, 2021, the swaps had a combined negative fair value of approximately \$19.1 million. The fair values of the interest rate swaps were estimated using the zero-coupon method and are classified as Level 2 within the fair value hierarchy. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

*Risks* – As of August 31, 2021, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard ISDA master agreement based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A- (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on the City's bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at A2/AA (Moody's/S&P).

The City is exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month LIBOR received on the swap.

There are no collateral posting requirements associated with the swap agreements.

The impact of the interest rate swaps on the financial statements for the year ended August 31, 2021 and 2020 is as follows (thousands of U.S. dollars):

|  | Interest Rate<br>Swap<br>Liability | Deferred<br>outflows of<br>resources |
|--|------------------------------------|--------------------------------------|
| August 31, 2020 Balance                      | 25,250                             | 13,888                               |
| Change in fair value through August 31, 2021 | (6,192)                            | (6,192)                              |
| Amortization of terminated hedge             | -                                  | 1,420                                |
| August 31, 2021 Balance                      | <u>19,058</u>                      | <u>9,116</u>                         |

|  | Interest Rate<br>Swap<br>Liability | Deferred<br>outflows of<br>resources |
|--|------------------------------------|--------------------------------------|
| August 31, 2019 Balance                      | 23,114                             | 10,332                               |
| Change in fair value through August 31, 2020 | 2,136                              | 2,136                                |
| Amortization of terminated hedge             | -                                  | 1,420                                |
| August 31, 2020 Balance                      | <u>25,250</u>                      | <u>13,888</u>                        |

Because the original hedging relationship was terminated when the Sixth Series Bonds were refunded by the Eighth Series Bonds in 2009, there is a difference between the interest rate swap liability and the related deferred outflows of resources. The difference is being amortized on a straight-line basis into expense over the life of the hedge. The interest rate swap liability is included in other non-current liabilities on the balance sheet. There are no collateral posting requirements associated with the swap agreements.

#### b. School District of Philadelphia Swap Agreements

The School District in Fiscal Year 2010 adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". GASBS No. 53 provided guidance for evaluating the effectiveness of derivative instruments at the end of each reporting period.

The District in Fiscal Year 2017, adopted the provisions GASBS No. 72 "Fair Value Measurement and Application." GASBS No. 72 addresses the accounting and financial reporting issues related to fair value measurements. GASBS No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk.

The swaps where the School District pays and receives floating rates--basis swaps-- are accounted for as investment instruments.

The School District's interest rate swaps were terminated on January 29, 2020; therefore, the School District has no outstanding derivative instruments as of June 30, 2021.

##### *Fair Value of Investments:*

In February 2015, the GASB issued Statement No. 72 "Fair Value Measurement and Application", addressing the accounting and financial reporting issues related to fair value measurements. GASBS No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2015. The School District adopted GASB Statement No. 72 beginning Fiscal Year ended 2016.

The District's investments are valued at fair value using the following hierarchy:

- Level 1: Quoted prices for identical investments in active markets
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs

The lowest available level of valuation available is used for all investments.

Fixed income securities are valued based on the values for similar assets in an active market. Equity securities are valued based on published values for identical assets in an active market.

The income approach is used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows, and time value of money. Where applicable under the income approach, the option pricing model technique, such as the Black-Derman-Toy model, or other appropriate option pricing model is used. This valuation technique is applied consistently across all the swaps.

Given the observability of inputs that are significant to the entire measurement, the fair values of the School District investments are categorized as follows:

|  | Level 1              | Level 2              | Level 3     |
|--|----------------------|----------------------|-------------|
| First American US Treasury Class Z Portfolio (FOZXX) | \$203,725,130        | \$ -                 | \$ -        |
| US Treasury Bills                                    | 25,537,548           | -                    |             |
| Federal National Mortgage Association (FNMA)         | 11,949,251           |                      |             |
| US Treasury Bond/Note                                | -                    | 85,995,560           |             |
| Commercial paper                                     | -                    | 94,282,515           |             |
| <b>Total</b>   | <b>\$241,211,929</b> | <b>\$180,278,075</b> | <b>\$ -</b> |

Level 1 - fair value investment classifications are for "securities portfolios" and US Treasury Bills and Federal National Mortgage Association with observable, quoted prices for identical assets or liabilities in active markets.

Level 2 - fair value investment classifications for US Treasury Notes and Commercial Paper are based on the values for similar assets in an active market.

## 8. LEASE COMMITMENTS AND LEASED ASSETS

### A. CITY AS LESSOR

The City's operating leases consist of leases of airport facilities, recreation facilities, certain transit facilities and various other real estate and building sites. Rental income for all operating leases for the year was:

(Amounts In Thousands of USD)

|                            | <u>Primary Government</u> | <u>Component Units</u> |
|----------------------------|---------------------------|------------------------|
|                            | <u>Governmental</u>       | <u>Proprietary</u>     |
|                            | <u>Funds</u>              | <u>Funds</u>           |
| Minimum Rentals            | 2,847                     | 42,661                 |
| Additional                 | -                         | 148,642                |
| Sublease                   | 14,097                    | -                      |
| <b>Total Rental Income</b> | <b>16,944</b>             | <b>191,303</b>         |



Future minimum rentals receivable under non-cancelable operating leases are as follows:

(Amounts In Thousands of USD)

| Fiscal Year Ending<br>June 30 | Primary Government    |                      | Component Units |
|-------------------------------|-----------------------|----------------------|-----------------|
|                               | Governmental<br>Funds | Proprietary<br>Funds |                 |
| 2022                          | 16,227                | 34,094               | 2,701           |
| 2023                          | 14,676                | 6,010                | 2,250           |
| 2024                          | 14,559                | 5,920                | 1,532           |
| 2025                          | 14,953                | 5,838                | 1,336           |
| 2026                          | 14,508                | 5,380                | 177             |
| 2027-2031                     | 88,822                | 26,441               | 731             |
| 2032-2037                     | 17,332                | 21,002               | 544             |
| 2038-2043                     | 17,332                | 17,667               | 360             |
| 2044-2049                     | 17,332                | 17,667               | 180             |
| Total                         | 215,742               | 140,019              | 9,811           |

## B. CITY AS LESSEE

### 1) OPERATING LEASES

The City's operating leases consist principally of leases for office space, data processing equipment, duplicating equipment and various other items of property and equipment to fulfill temporary needs. Rental expense for all operating leases for the year was as follows:

(Amounts In Thousands of USD)

|                      | Primary Government    |                      | Component Units |
|----------------------|-----------------------|----------------------|-----------------|
|                      | Governmental<br>Funds | Proprietary<br>Funds |                 |
| Minimum Rentals      | 189,628               | 46,595               | 10,681          |
| Additional Rentals   | -                     | -                    | 153             |
| Sublease             | -                     | -                    | 2,487           |
| Total Rental Expense | 189,628               | 46,595               | 13,320          |

At year end, the future minimum rental commitments for operating leases having an initial or remaining non-cancelable lease term in excess of one year are as follows:

(Amounts In Thousands of USD)

| Fiscal Year Ending<br>June 30 | Primary Government    |                      | Component Units |
|-------------------------------|-----------------------|----------------------|-----------------|
|                               | Governmental<br>Funds | Proprietary<br>Funds |                 |
| 2022                          | 39,165                | 393                  | 11,775          |
| 2023                          | 35,688                | 393                  | 10,228          |
| 2024                          | 33,253                | 393                  | 9,828           |
| 2025                          | 33,207                | 393                  | 9,430           |
| 2026                          | 32,378                | 393                  | 9,157           |
| 2027-2031                     | 170,701               | 1,964                | 25,191          |
| 2032-2035                     | 35,407                | 1,964                | 17,539          |
| 2036-2040                     | 742                   | 1,964                | 8,394           |
| 2041-2045                     | 0                     | 1,964                | -               |
| Total                         | 380,542               | 9,822                | 101,542         |

## 2) CAPITAL LEASES

### Primary Government:

On December 28, 2017, the City entered into a lease agreement with the Philadelphia Authority for Industrial Development, a component unit of the City, for use of certain properties located at 400 North Broad Street. The properties will primarily be utilized by the City's police department. Under the terms of the lease agreement, the City will make quarterly rent payments in the amount of \$3.8 million through December 1, 2026 (Initial Term). If the City does not exercise its purchase option, the lease will automatically enter into the "Renewal Term", during which the quarterly rent payments will increase to \$7.1 million through the duration of the lease, ending September 1, 2036. Rent payments under the lease agreement bear an effective interest rate of 4.029% through December 1, 2026 and an effective interest rate of 6.924% for the remaining term of the lease agreement.

Under the lease the City has a purchase option beginning on the fifth anniversary (December 31, 2025) of the delivery date (December 31, 2020) and continuing through the date that is one hundred eight days prior to the scheduled expiration date (December 28, 2026), to purchase the leased property at purchase price equal to the "Purchase FMV", as defined in the lease agreement.

As a result of this lease agreement, the City recorded an initial capital asset (lease hold asset) in the amount of \$252.5 million. At June 30, 2021, the net book value of assets acquired under this lease agreement was \$208.4 million (\$252.5 million gross value, net of \$44.1 million accumulated depreciation). For the year ended June 30, 2021, the City recorded \$12.6 million in depreciation expense related to assets acquired under the lease.

Future minimum lease payments under this agreement are as follows:

| <u>June 30</u> | <i>(In Millions)</i> |                 |
|----------------|----------------------|-----------------|
|                | <u>Principal</u>     | <u>Interest</u> |
| 2022           | 5.7                  | 9.5             |
| 2023           | 5.9                  | 9.3             |
| 2024           | 6.1                  | 9.1             |
| 2025           | 6.4                  | 8.8             |
| 2026           | 6.7                  | 8.5             |
| 2027 - 2031    | 75.6                 | 56.2            |
| 2032 - 2036    | 114.5                | 27.2            |
| 2037 - 2037    | 13.8                 | 0.4             |
| Total          | <u>\$ 234.8</u>      | <u>\$ 128.9</u> |

### Component Unit:

Capital leases consist of leased real estate and equipment from various component units. Future minimum rental commitments are as follows:

| <u>Fiscal Year Ending</u> | <u>Principal</u> |
|---------------------------|------------------|
| <u>June 30</u>            |                  |
| 2022                      | 378,632          |
| 2023                      | 71,482           |
| Totals                    | <u>450,114</u>   |

## 9. DEFERRED COMPENSATION PLANS

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### A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2014, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements.

### B. COMPONENT UNITS

**PGW** offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Service Code Section 457. The Plan, available to all **PGW** employees with at least 30 days of service, permits them to defer a portion of their salary until future years. **PGW** provides an annual 10.0% matching contribution of applicable wages that immediately vests to the employee. **PGW** contributed \$0.4 million in both FY2021 and FY2020. PGW's contributions are accounted for as part of administrative and general expenses.

The School District of Philadelphia (**SDP**) offers its employees a 403 (b) Plan and a 457 (b) Deferred Compensation Plan. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. For employees resigning or retiring during or after the calendar year in which they attain age 55, the SDP makes an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans. Under the 403(b) Plan, termination pay contributions are treated as employer contributions to a retirement plan, and the contributions are not included in employee wages nor subject to FICA. While contributions under the 457(b) Plan are considered wages for FICA purposes. Under both plans, contributions are not subject, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District does not withhold those taxes.

## 10. FUND BALANCE POLICIES

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Fund Balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. GASB 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Non-Spendable Fund Balance** — Includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The Permanent Funds (\$4.0 million) were non-spendable.
- **Restricted Fund Balance** — Includes amounts for which constraints have been placed on the use of resources which are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The General Fund had a restricted fund balance of \$114.4 million at June 30, 2021. The fund balances in the following Special Revenue Funds were restricted: Health-Choices Behavioral Health (\$337.1 million); Grants Revenue (\$35.2 million); County Liquid Fuels (\$10.2 million); Special Gasoline Tax (\$49.6 million); Hotel Room Rental Tax (\$5.8 million); Car Rental Tax (\$8.4 million); Housing Trust (\$79.0 million); Acute Care Hospital Assessment (\$23.3 million); Departmental (\$10.1 million); Municipal Authority Administrative (\$0.0 million); PICA Administrative (\$20.9 million). The Debt Service Fund had a Restricted Fund Balance of (\$13.0 million) and the entire fund balance of the Capital Improvement (\$112.7 million) funds was restricted. The Permanent Fund had a restricted fund balance of (\$4.9 million) at June 30, 2021.
- **Committed Fund Balance** — Includes amounts that can only be used for specific purposes pursuant to constraints imposed by an ordinance passed by Philadelphia's City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the ordinance that was employed when the funds were initially committed. The fund balances in the following Special Revenue Funds were committed: Riverview Residents \$.03 million, Philadelphia Prisons \$4.7 million, and Departmental \$1.5 million.

- Assigned Fund Balance — Includes amounts that are constrained by a government's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Budget Director, other authorized department heads or their designees, to which the Finance Director has granted the authority to assign amounts to be used for specific purposes. There is no prescriptive action to be taken by the authorized officials in removing or modifying the constraints imposed on the use of the assigned amounts. The General Fund reported an assigned fund balance of \$442.7 million at June 30, 2021, which represents \$288.6 million of encumbrance balances and \$154.1 million of the unobligated Philadelphia Beverage Tax revenue at the end of the reporting period.
- Unassigned Fund Balance — This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed or restricted or non-spendable. The General Fund had a (\$0.0 million) unassigned fund balance at June 30, 2021. Within the Special Revenue Funds, the Grants Revenue Fund had a negative unassigned fund balance of (\$366.8 million), the Community Development Fund had a negative unassigned fund balance of (\$10.0 million).

City Council and the Mayor established a Budget Stabilization Reserve through amendment to the City's Charter. Appropriations to the Budget Stabilization Reserve shall, each year, be made in the following amounts, provided that total appropriations to the Budget Stabilization Reserve shall not exceed five percent (5%) of General Fund Appropriations: (1) Such amounts as remain unencumbered in the Budget Stabilization Reserve from the prior fiscal year, including any investment earnings certified by the Director of Finance; plus (2) When projected General Fund Balance for the end of the fiscal year to which the operating budget relates, without taking into account any deposits to the Budget Stabilization Reserve required by subsection (2), equals or exceeds three percent of General Fund appropriations for the upcoming fiscal year, an amount equal to three-quarters of one percent (.75%) of Unrestricted Local General Fund Revenues for the upcoming fiscal year; plus (3) Such additional amounts as the Council shall authorize by ordinance, no later than at the time of passage of the annual operating budget ordinance and upon recommendation of the Mayor. The Director of Finance shall allow withdrawals from the Budget Stabilization Reserve only upon (1) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve, pursuant to Section 2-300(6) of the City Charter, and only for the purposes set forth in such transfer ordinance; and (2) either: (a) A certification by the Director of Finance that General Fund Revenues actually received by the City during the prior fiscal year were at least one percent (1%) less than the General Fund Revenues set forth in the Mayor's estimate of receipts pursuant to Section 2-300(3) of the City Charter; or (b) A certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents; and that it would be fiscally imprudent to seek emergency appropriations pursuant to Section 2-301(a) of the City Charter. Such certification must be approved either by (1) a resolution adopted by two-thirds of all of the members of the Council, or (2) an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City. Due to fiscal constraints caused by the COVID-19 pandemic the \$34.3 million from the Budget Stabilization Reserve Fund was transferred to the General Fund. At June 30, 2021 the Budget Stabilization Reserve fund had a \$0 balance.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the non-spendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding non-spendable. To the extent that funds are available for expenditure in these other categories, except for the non-spendable fund balance, the order of use shall be; committed balances, assigned amounts, and lastly, unassigned amounts. The table below presents a more detailed breakdown of the City's fund balances at June 30, 2021:

City of Philadelphia  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021

Exhibit XIII

Amounts in Thousands

|  | General<br>Fund | HealthChoices<br>Behavioral<br>Health Fund | Grants<br>Revenue<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------|--|---------------------------|--------------------------------|--------------------------------|
| <b><u>Nonspendable:</u></b>            |                 |  |                           |                                |                                |
| Inventory                              | -               | -  | -                         | -                              | -                              |
| Permanent Fund (Principal)             | -               | -  | -                         | 4,027                          | 4,027                          |
| <b>Subtotal Nonspendable</b>           | <b>-</b>        | <b>-</b>                                   | <b>-</b>                  | <b>4,027</b>                   | <b>4,027</b>                   |
| <b><u>Restricted for:</u></b>          |                 |  |                           |                                |                                |
| Neighborhood Revitalization            | -               | -  | 279                       | -                              | 279                            |
| Economic Development                   | -               | -  | -                         | 5,759                          | 5,759                          |
| Public Safety Emergency Phone System   | -               | -  | 34,952                    | -                              | 34,952                         |
| Streets & Highways                     | -               | -  | -                         | 59,740                         | 59,740                         |
| Housing and Neighborhood Dev           | -               | -  | -                         | 79,031                         | 79,031                         |
| Health Services                        | -               | -  | -                         | 23,314                         | 23,314                         |
| Behavioral Health                      | -               | 337,087                                    | -                         | -                              | 337,087                        |
| Parks & Recreation                     | -               | -  | -                         | 2,450                          | 2,450                          |
| Libraries & Museums                    | -               | -  | -                         | 3,048                          | 3,048                          |
| Intergovernmental Financing            | -               | -  | -                         | 20,860                         | 20,860                         |
| Stadium Financing                      | -               | -  | -                         | 8,397                          | 8,397                          |
| Cultural & Commercial Corridor Project | 942             | -  | -                         | -                              | 942                            |
| Pension Obligation Bonds               | 6,494           | -  | -                         | -                              | 6,494                          |
| Debt Service Reserve                   | -               | -  | -                         | 13,019                         | 13,019                         |
| Capital Projects                       | -               | -  | -                         | 112,720                        | 112,720                        |
| Affordable Housing Project             | 10              | -  | -                         | -                              | 10                             |
| Art Museum Project                     | 382             | -  | -                         | -                              | 382                            |
| Rebuild                                | 66,793          | -  | -                         | -                              | 66,793                         |
| Home Repair Program                    | 39,795          | -  | -                         | -                              | 39,795                         |
| Trust Purposes                         | -               | -  | -                         | 9,520                          | 9,520                          |
| <b>Subtotal Restricted</b>             | <b>114,416</b>  | <b>337,087</b>                             | <b>35,231</b>             | <b>337,858</b>                 | <b>824,592</b>                 |
| <b><u>Committed, Reported in:</u></b>  |                 |  |                           |                                |                                |
| Budget Stabilization Reserve           | -               | -  | -                         | -                              | -                              |
| Social Services                        | -               | -  | -                         | 30                             | 30                             |
| Prisons                                | -               | -  | -                         | 4,715                          | 4,715                          |
| Parks & Recreation                     | -               | -  | -                         | 1,508                          | 1,508                          |
| <b>Subtotal Committed</b>              | <b>-</b>        | <b>-</b>                                   | <b>-</b>                  | <b>6,253</b>                   | <b>6,253</b>                   |
| <b><u>Assigned to:</u></b>             |                 |  |                           |                                |                                |
| General Management & Support           | 148,606         | -  | -                         | -                              | 148,606                        |
| Social Services                        | 59,539          | -  | -                         | -                              | 59,539                         |
| Economic Development                   | 406             | -  | -                         | -                              | 406                            |
| Libraries & Museums                    | 10,281          | -  | -                         | -                              | 10,281                         |
| Prisons                                | 19,251          | -  | -                         | -                              | 19,251                         |
| Health Services                        | 21,007          | -  | -                         | -                              | 21,007                         |
| Other                                  | 29,462          | -  | -                         | -                              | 29,462                         |
| Phila. Beverage Tax - Unobligated      | 154,142         | -  | -                         | -                              | 154,142                        |
| <b>Subtotal Assigned</b>               | <b>442,693</b>  | <b>-</b>                                   | <b>-</b>                  | <b>-</b>                       | <b>442,693</b>                 |
| Unassigned Fund Balances:              | -               | -  | (366,754)                 | (9,967)                        | (376,721)                      |
| <b>Subtotal Unassigned</b>             | <b>-</b>        | <b>-</b>                                   | <b>(366,754)</b>          | <b>(9,967)</b>                 | <b>(376,721)</b>               |
| <b>Total Fund Balances</b>             | <b>557,109</b>  | <b>337,087</b>                             | <b>(331,523)</b>          | <b>338,171</b>                 | <b>900,844</b>                 |

## 11. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds. These transactions are recorded as transfers and are reported as other financial sources (uses) in the Governmental Funds and as transfers in the Proprietary Funds. Some of the more significant transfers are the PICA administrative fund collection of a portion of the wage tax paid by City residents and the transfer of funds that are not needed for debt service and administrative costs to the general fund. Additionally, the general fund and the PICA administrative fund make transfers to the debt service funds for principal and interest payments.

Transfers between fund types during the year were:

(Amounts in Thousands of USD)

| Transfers From:            | Transfers To: |                        |              |                     |            |
|----------------------------|---------------|------------------------|--------------|---------------------|------------|
|                            | Governmental  | Non Major Governmental |              |                     | Total      |
|                            | General       | Special Revenue        | Debt Service | Capital Improvement |            |
| General Fund               | \$ -          | \$ 37,934              | \$ 175,998   | \$ 5,760            | \$ 219,692 |
| Grants Revenue Fund        | 58,987        | 1,499                  | 5,060        | -                   | 65,546     |
| Non major Special Rev. Fds | 509,027       | -                      | 21,381       | 7,867               | 538,275    |
| Permanent Funds            | -             | 118                    | -            | -                   | 118        |
| Capital Improvements       | -             | -                      | -            | -                   | -          |
| Water Fund                 | 2,586         | 34,574                 | -            | -                   | 37,160     |
| Total                      | \$ 570,600    | \$ 74,125              | \$ 202,439   | \$ 13,627           | \$ 860,791 |

## 12. TAX ABATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, the City is required to disclose certain information about tax abatements as defined in the Statement. For the purposes of GASB Statement No. 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual, or entity, in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to the economic development or otherwise benefits the City or the citizens of the City. The City has entered into such agreements. The quantitative threshold set by the City for disclosing its tax abatement programs is currently \$500,000 or more. A description of each of the City's tax abatement programs where the City has promised to forgo taxes are as follows:

### TAX CREDIT AGREEMENTS ENTERED INTO BY THE CITY OF PHILADELPHIA

#### **Community Development Corporation (CDC) Tax Credit:**

The Program rewards local businesses that contribute to economic development efforts as sponsors in distressed parts of the city. A sponsor will receive a tax credit of \$100,000 per year against its Business Income and Receipts Tax liability for each year the sponsor contributes \$100,000 in cash to a qualifying organization.

The Philadelphia Code under Chapter § 19-2604 (6) defines the implementation of the Community Development Corporation (CDC) Tax Credit. Section 501 of the Business Income and Receipts Tax regulations provides a full description of the CDC Tax Credit, including definitions of qualifying CDCs.

The CDC tax credit is available to a maximum of 42 businesses in any given tax year. Applications are reviewed and accepted on a first-come, first-served basis. The sponsor must contribute \$100,000 in cash to a qualifying organization under the terms and conditions of the Business Income and Receipts Tax regulations and the contribution agreement. Contributions exceeding \$100,000 will not be entitled to any additional tax credit and no tax credit will be available if contributions are less than \$100,000. Sponsors must make the full contribution by December 31st of each year. A sponsor must take the credit on the tax year for which the contribution is made. Any tax credit not used in the period the contribution was made may not be carried forward or carried backward. Tax credits are non-transferable and may be used only by the sponsor.

A business as a sponsor that pledges and contributes \$100,000 annually to a currently non-participating qualifying organization for 10 consecutive years; obtains a tax credit of \$100,000 or actual BIRT tax liability per year, whichever is lower.

Under the CDC tax credit program there are currently no provisions for recapturing the past abated tax monies.

Gross dollar amount, on an accrual basis, by which the City's tax revenues were reduced as a result of the CDC Tax Credit program for fiscal year 2021 totaled, **\$2,316,945.**

**Job Creation Tax Credit:**

The Job Creation Tax Credit rewards businesses that increase the number of jobs available in the City of Philadelphia.

The Philadelphia Code under Chapter § 19-2604 (7) defines the implementation of the Job Creation Tax Credit. A full description of the Job Creation Tax Credit can be found under Section 502 of the BIRT regulations.

A business can attain this credit if it creates 25 new jobs or increases its number of employees by at least 20% within five years of the designated start date. Program participants must commit to maintaining business operations in the City of Philadelphia for five years.

The credit amount for jobs created is 2% of annual wages paid for each new job or \$5,000 per new job created, whichever is higher, subject to the maximum amount specified in the commitment agreement.

There are no provisions for recapture of this tax credit.

Program participants must commit to maintaining business operations in the City of Philadelphia for five years.

Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of the Job Creation Tax Credit program for fiscal year 2021 totaled, **\$1,097,053**.

For the above Tax Credit Agreements entered into by the City of Philadelphia;

- There were no forgone revenues received, or receivable from other governments.
- There were no other commitments, other than to reduce taxes.
- No tax abatement agreement has been disclosed individually.
- No required information has been omitted.

**REAL ESTATE TAX ABATEMENT AGREEMENTS ENTERED INTO BY THE CITY OF PHILADELPHIA**

- Development Abatement for New or Improved Residential Properties (State Act 175)
- Rehab Construction for Residential Properties (Ordinance 961)
- Rehab & New Construction for Commercial & Industrial Properties (Ordinance 1130)
- New Construction for Residential Properties (Ordinance 1456-A)

Specific taxes being abated are Real Estate taxes.

The purpose of these programs is to encourage new construction or rehabilitation of properties, to help revitalize communities, retain residents, attract home- and business-owners to the City of Philadelphia, and reduce development costs for commercial and residential projects.

To be eligible to receive these tax abatements; owners / developers rehabbing or building residential properties, and/or owners/developers rehabbing or building property to be sold or leased for commercial, industrial or business purposes that make improvements, under City issued permits, that affect the assessed value of the property.

For the State Act 175, Real Estate Taxes are abated for the first 30 months or until property is leased or sold, whichever occurs first.

For the Ordinance 961, Ordinance 1130, & Ordinance 1456-A; Real Estate Taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner.

The amount of tax abatement is determined, such as dollar amount or percentage of taxes owed, based on the change in value due to the improvements.

There are no provisions to recapture abated taxes.

Gross dollar amounts, on an accrual basis, by which the City's tax revenues were reduced as a result of the Real Estate tax abatement programs for fiscal year 2021 were:

- **State ACT 175, \$2,314,809.**
- **Ord. 961, \$8,715,959.**
- **Ord. 1130, \$41,359,797.**
- **Ord. 1456-A, \$30,534,039.**

For the above Real Estate Tax Agreements entered into by the City of Philadelphia;

- There were no forgone revenues received, or receivable from other governments.
- There were no other commitments, other than to reduce taxes.
- No tax abatement agreement has been disclosed individually.
- No required information has been omitted.

#### **TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

##### **Keystone Opportunity Zone (KOZ)**

For properties in the areas designated by the Pennsylvania Department of Community and Economic Development. A KOZ property is a legislatively designated parcel where little to no development has taken place. Philadelphia offers tax abatements to businesses that invest in these areas.

The specific taxes being abated are Business Income and Receipt Tax, Net Profit Tax, & Real Estate Tax.

The Philadelphia Code, Chapter § 19-3200 defines the implementation of the Keystone Opportunity Zone, Economic Development District, and Strategic Development Area Tax Credit.

To qualify for Keystone Opportunity Zone Tax Credits, a business must:

- Own or lease property in one of the designated zones; and actively conduct a trade, business, or profession in that same designated zone.
- The qualified business must receive initial certification from the Pennsylvania Department of Community and Economic Development (DCED).

Waived or reduced taxes will apply when filing the tax forms/returns listed below:

- Tax credits are applied to recipients
- State Corporate Net Income Tax
- Capital Stock & Foreign Franchise Tax
- Personal Income Tax (Partners or Sole Proprietors)
- Sales & Use Tax
- Mutual Thrift Institutions Tax
- Insurance Premiums Tax and/or to their respective
- City Business Income & Receipt Tax
- Net Profit Tax
- Real Estate Tax filings

Abatement / credit amounts are based on the recipients' tax return filings and real estate tax valuations.

If any qualified business located within the zone has received an exemption, abatement or credit under this Chapter and subsequently relocates outside of the zone before agreement period ends; that business will refund to the City or School District, the exemptions, abatements or credits attributed in accordance to the Philadelphia Codes.

Commitments made by recipients include;

- Must be up to date on all City and State taxes and in compliance with City and State laws and regulations.
- Must file KOZ application annually.
- If presently a PA business and relocated to a KOZ, they must,
  - increase employment by 20% in the first year
  - or invest the equivalent of 10% of the previous year's gross revenues in capital improvements to the KOZ Property.
  - or enter into a lease agreement for property within a KOZ for a term at least equivalent to the duration of the KOZ property and with an aggregate payment under the lease at least equivalent to 5% of the gross revenues of that business in the immediately preceding calendar or fiscal year.



Gross dollar amounts, on accrual basis, by which the City's tax revenues were reduced as a result of the KOZ Real Estate tax abatement programs for fiscal year 2021 were:

|   |    |                   |
|---|----|-------------------|
| Keystone Opportunity Zone (KOZ) Real Estate Tax Credits | \$ | 6,322,213         |
| Net Profit Tax (KOZ Credit)                             |    | 864,759           |
| <u>Business Income and Receipt Tax (KOZ Credit)</u>     |    | <u>52,676,155</u> |
|   | \$ | 59,863,127        |

For the above Tax Abatement Agreements entered into by Other Governments;

- There were no forgone revenues received, or receivable from other governments.
- There were no other commitments, other than to reduce taxes.
- No tax abatement agreement has been disclosed individually.
- No required information has been omitted.

The following summarizes the fiscal year 2021 tax abatement agreements, and their respective dollar totals, entered into by the City of Philadelphia and Other Governments.

**Tax Credit Agreements entered into by the City of Philadelphia**

|  |                       |
|--|-----------------------|
| Community Development Corporation (CDC) Tax Credit | \$2,316,945.00        |
| Job Creation Tax Credit                            | 1,097,053.00          |
|  | <u>\$3,413,998.00</u> |

**Real Estate Tax Abatement Agreements entered into by the City of Philadelphia**

|                            |                        |
|----------------------------|------------------------|
| Development State ACT 175, | \$2,314,808.67         |
| Ord. 961,                  | 8,715,959.46           |
| Ord. 1130,                 | 41,359,797.48          |
| Ord. 1456-A,               | 30,534,038.51          |
|                            | <u>\$82,924,604.13</u> |

**Tax Abatement Agreements entered into by Other Governments**

|   |                        |
|---|------------------------|
| Keystone Opportunity Zone (KOZ) Real Estate Tax Credits | \$6,322,212.72         |
| Net Profit Tax (KOZ Credit)                             | 864,759.00             |
| <u>Business Income and Receipt Tax (KOZ Credit)</u>     | <u>52,676,155.00</u>   |
|   | <u>\$59,863,126.72</u> |

As of June 30, 2021, the grand total of forgone revenues as a result of all the tax abatement programs was: \$146,201,728.85

**Tax Increment Financing (TIF)**

The Commonwealth of Pennsylvania has approved the Tax Increment Financing Act that authorizes the taxing bodies of the City of Philadelphia (the City and School District) to create geographic areas ("TIF Districts"), where certain increases in tax revenue may be used to finance improvements in the TIF Districts. The TIF loan is usually funded by a private lender, i.e. bank, and is paid by the incremental taxes from Real Estate, Use and Occupancy, City Sales and Business Privilege.

Philadelphia Industrial Development Corporation (PIDC), acting on behalf of Philadelphia Authority for Industrial Development (PAID), can propose any area of the City to City Council and the School District for approval as a TIF District under the terms of the Act. Any new improvements can be funded by the TIF loan.

TIF's are a financing tool that enable the City to establish a district in a blighted area, within which increases in taxes resulting from development of the district can be applied to project costs in the district or to project-related debt service.

The total gross dollar amount, on an accrual basis, by which the City's fiscal year 2021 tax revenues were redirected as result of the TIF program was **\$722,014**.

### 13. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet (Exhibit III) includes reconciliation to the Net Position of Governmental Activities. One element of that reconciliation states that "Long Term Liabilities, including bonds payable, are not reported in the funds". The details of this difference are as follows:

*(Amounts in Millions)*

|                              |                   |
|------------------------------|-------------------|
| Bonds Payable                | \$ 1,950.5        |
| Service Agreements           | \$ 1,677.3        |
| Indemnity Claims             | \$ 186.0          |
| Employee Related Obligations | \$ 865.7          |
| Leases                       | \$ 233.4          |
| Total Adjustment:            | <u>\$ 4,912.9</u> |

### 14. PRIOR PERIOD ADJUSTMENTS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

#### A. PRIMARY GOVERNMENT

The following restatement was necessary to reflect the adoption of the provisions of GASB Statement No. 84, "Fiduciary Activities". The City changed the manner of accounting for its fiduciary funds. The change for fiduciary funds is reported as a change in accounting principle and is reflected as a restatement of beginning net position in the fiduciary fund statements.

The following table shows the change to the beginning net position as of July 1, 2020, for the Fiduciary Funds:

*(Amounts in Thousands)*

|   | <u>Custodial Funds</u> |
|---|------------------------|
| Net position as of July 1, 2020, reported       | \$ -                   |
| Reclassification of net position due to GASB 84 | <u>110,285</u>         |
| Net position as of July 1, 2020, restated       | <u>\$ 110,285</u>      |

#### Business Type Activities – Water Fund

For the year ended June 30, 2020, the Water Fund's beginning Net Position decreased by \$5.9 million as a result of the following:

- The net effect of \$12 million for projects that were expensed in FY20 were deemed active capital projects; therefore, subsequently capitalized as a prior period adjustment.
- The net effect of (\$17.9) million for adjustments to depreciation expense in order to capture depreciation in previous periods for assets substantially complete prior to FY21.

The effect of the adjustments is reflected as a decrease in the Water Fund's Net Position as of July 1, 2020, in the June 30, 2021 Statement of Revenues, Expenses and Changes in Net Position.

**B. COMPONENT UNIT**

1. The **School District of Philadelphia (SDP)** Governmental Funds:  
Beginning in Fiscal Year 2021, the District reclassified the "Use of Facilities – External" Fund from an Enterprise Fund to consolidate with the General Fund. As a result, the General Fund's assets increased by \$340,239, liabilities increased by \$126,167 and fund balance increased by \$214,072. This reclassification also resulted in an increase in net position in governmental activities on the District-wide Statements and a decrease in net position in the Business-type activities of \$214,072 for a total net adjustment of \$0.00.

Beginning in Fiscal Year 2021, the District reclassified the "Use of Facilities – Internal" Fund from an Internal Service Fund to consolidate with the General Fund. As a result, the General Fund's assets and fund balance increased by \$45,374.

In accordance with GABS 84, beginning in Fiscal Year 2021, the District reclassified its Payroll Liability Fund and Unclaimed Monies Fund from Fiduciary Agency Funds to consolidate with the General Fund. As a result, the governmental activities on the District-wide Statement's and the General Fund on the governmental fund statements had an increase in pooled cash and investments of \$115,072,151, an increase in accounts receivable of \$111,981, an increase in accrued salaries and benefits payable of \$113,839,676 and an increase in other liabilities of \$1,344,456.

In accordance with GASB 84, beginning in Fiscal Year 2021, the District reclassified its Student Activity Fund from a Fiduciary Agency Fund to a Special Revenue Fund on the governmental fund statements. The new Special Revenue Fund did not qualify as a major fund; therefore, it is consolidated with the Non-major Funds. As a result of this reclassification, cash and cash equivalents and fund balance on the governmental fund statements increased by \$5,098,624 and cash and cash equivalents and net position were increased on the District-wide Statements by \$5,098,624.

**SDP Change in Accounting Estimates**

Historically, on the SDP's district-wide statements – governmental activities - the SDP recognized amortized debt related costs (premiums, discounts, prepaid insurance, refunding gains and refunding losses), by amortizing these cost by bond series over the life of the debt or, for refunding gains and losses, over the life of the old debt or the life of the new debt, whichever is shorter. In Fiscal Year 2021, the District implemented a new third party software that allows the District to amortize these costs by Committee on Uniform Securities Identification Procedures (CUSIP) number, as opposed to bond series. Each bond issued by the District is structured with multiple CUSIP numbers with varying maturity dates. Because most of the CUSIPs have maturity dates shorter than the life of the bond, this new method of amortization is a more accelerated estimation of amortized costs.

Fiscal Year 2021 Impact on Change in Net Position:

| <u>Debt Related Costs</u> | <u>Net Impact<br/>Amount</u> |
|---------------------------|------------------------------|
| Bond Discounts            | \$ (785,604)                 |
| Bond Premiums             | 48,346,251                   |
| Bond Insurance Prepayment | (546,165)                    |
| Bond Refunding Charges    | (8,482,839)                  |
| Total                     | <u>\$ 38,531,643</u>         |

## 2. Philadelphia Housing Authority (PHA)

During the fiscal year ended March 31, 2021, three solely owned PHA entities purchased the 99.99% investor limited partner interest and special limited partner interest in three L.P. entities, Cambridge Plaza II, L.P., Olivet L.P. and Tasker I L.P. With the acquisition of the 99.99% investor limited partnership interests, Cambridge Plaza II, L.P., Mt. Olivet L.P. and Tasker L.P. are now considered blended component units of PHA. The following tables are summaries of these acquisitions:

| Entity Acquired          | Acquired Date | PHA Owned Acquiring Entity | Acquisition Details                     |  | Former Special Limited Partner     |
|--------------------------|---------------|----------------------------|---|--|------------------------------------|
|                          |               |                            | Former Investor Limited Partner         |  |                                    |
| Cambridge Plaza II, L.P. | 7/15/2020     | CPLP 2 LLC                 | TCIG Guaranteed Tax Credit Fund IV, LLC |  | N/A                                |
| Mt. Olivet L.P.          | 2/8/2021      | Mt. Olivet SLP LLC         | HCI Mt. Olivet, LLC                     |  | BFIM Special Limited Partner, Inc. |
| Tasker I, L.P.           | 2/8/2021      | Tasker SLP LLC             | MMA Tasker Homes I, LLC                 |  | SLP, Inc.                          |

| Entity Acquired          | Acquisition Costs   |                          |                     | Asset Management Fee Paid |
|--------------------------|---------------------|--------------------------|---------------------|---------------------------|
|                          | Sales Price         | Related Settlement Costs | Total Consideration |                           |
| Cambridge Plaza II, L.P. | \$ 100              | \$ 23,275                | \$ 23,375           | \$ 10,000                 |
| Mt. Olivet L.P.          | 833,793             | 9,170                    | 842,963             | -                         |
| Tasker I, L.P.           | 1,860,950           | 19,616                   | 1,880,566           | -                         |
|                          | <u>\$ 2,694,843</u> | <u>\$ 52,061</u>         | <u>\$ 2,746,904</u> | <u>\$ 10,000</u>          |

The consideration paid by CPLP 2 LLC, Mt. Olivet SLP LLC, and Tasker SLP LLC for the partnership interests is recognized as a capital investment. It was determined as of March 31, 2021, that a loss of \$2,746,904 should be recognized.

|                          | Loss on Investment  |
|--------------------------|---------------------|
| CPLP 2 LLC               | \$ 23,375           |
| Mt. Olivet SLP LLC       | 842,963             |
| Tasker SLP LLC           | 1,880,566           |
| Total Loss on Investment | <u>\$ 2,746,904</u> |

The prior year net position per prior year audited financial statements was \$9,074,936 for the three L.P.s. All assets and liabilities were accounted for at carrying value. PHA recognized the following changes in beginning net positions as restatements:

|                                   | Primary Government    | Discrete Component Unit |
|-----------------------------------|-----------------------|-------------------------|
| Cambridge Plaza II, L.P.          | \$ (901,507)          | \$ 901,507              |
| Mt. Olivet L.P.                   | (3,687,298)           | 3,687,298               |
| Tasker I, L.P.                    | (4,486,131)           | 4,486,131               |
| Total restatements - net position | <u>\$ (9,074,936)</u> | <u>\$ 9,074,936</u>     |

Also, as a result of the acquisitions, the following changes in beginning cash and cash equivalents were recognized as restatements for purposes of the cash flow statement.

|  | Primary Government  | Discrete Component Unit |
|--|---------------------|-------------------------|
| Cambridge Plaza II, L.P.                       | \$ 756,761          | \$ (756,761)            |
| Mt. Olivet L.P.                                | 2,377,362           | (2,377,362)             |
| Tasker I, L.P.                                 | 2,781,010           | (2,781,010)             |
| Total restatements - cash and cash equivalents | <u>\$ 5,915,133</u> | <u>\$ (5,915,133)</u>   |

## 3. Philadelphia Redevelopment Authority (PRA)

### RESTATEMENT OF NET POSITION

The financial statements of the Authority as of and for the year ended June 30, 2020, were restated due to correction of an error. The error was caused by June 30, 2020, expenses not being recorded in the proper accounting period. The cumulative effect of the restatement resulted in June 30, 2020, expenses increasing by \$1,241,572 and the June 30, 2020, net position decreasing by \$1,241,572.

|                           | 2020         | 2020 Restated | Cumulative Effect |
|---------------------------|--------------|---------------|-------------------|
| Personnel fringe benefits | \$ 1,425,724 | \$ 2,041,207  | \$ 615,483        |
| Other operating expenses  | 4,709,394    | 5,335,482     | 626,088           |
| Accounts payable          | 12,679,912   | 13,921,483    | 1,241,571         |

#### 15. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$1,591.8 million of restricted net position, of which \$178.2 million is restricted by enabling legislation as follows:

|  | (Amounts in Thousands of USD) |                                       |
|--|-------------------------------|---------------------------------------|
|  | Restricted<br>Net Position    | Restricted by<br>Enabling Legislation |
| Capital Projects                       | 352,666                       |                                       |
| Debt Service                           | 378,611                       |                                       |
| Pension Oblig Bond Refunding Reserve   | 6,494                         |                                       |
| Behavioral Health                      | 337,087                       |                                       |
| Neighborhood Revitalization            | 279                           |                                       |
| Philadelphia Art Museum Project        | 382                           |                                       |
| Affordable Housing Project             | 9                             |                                       |
| Cultural & Commercial Corridor Project | 942                           |                                       |
| Rebuild Project                        | 66,793                        | 79,031                                |
| Home Repair Program                    | 39,795                        |                                       |
| Grant Programs                         | 166,055                       |                                       |
| Rate Stabilization                     | 125,117                       |                                       |
| Libraries & Parks:                     | -                             |                                       |
| Expendable                             | 4,712                         |                                       |
| Non-Expendable                         | 4,027                         |                                       |
| Educational Programs                   | -                             | 99,152                                |
| Other                                  | 108,878                       |                                       |
| Total                                  | <u>1,591,847</u>              | <u>178,183</u>                        |

#### 16. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of \$331.5 million. The deficit was primarily caused by the recording of reimbursed costs and corresponding revenues for services provided by the Department of Human Services to the grants fund, and the delay of billing and receiving reimbursements from the state.
- The Community Development Fund, which is a Special Revenue fund, has a Fund Balance Deficit at year-end of \$10.0 million.

### IV. OTHER INFORMATION

#### 1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. The two plans maintained by the City are the City Plan and the Philadelphia Gas Works (PGW) Plan. In addition to the City, the three other quasi-governmental agencies that participate in the City Plan are the Philadelphia Parking Authority (PPA), the Philadelphia Municipal Authority (PMA), and the Philadelphia Housing Development Corporation (PHDC).

Effective with Fiscal Year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement revises existing standards for measuring and reporting pension liabilities for pension plans. GASB Statement No. 68 defines a single employer as the primary government and its component units. All three quasi-governmental agencies that participate in the City Plan were determined to be component units of the City. Therefore, the City Plan meets the definition of a single employer plan.

The note disclosures and Required Supplementary Information required by GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB No. 25*, are presented in the separately issued audited financial statements of the City Plan and PGW Plan. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

**A. PRIMARY GOVERNMENT**

**(1) City Plan**

**a. PENSION FUND DESCRIPTION**

**Plan Administration**

The Philadelphia Board of Pensions (the Pension Board) administers the City of Philadelphia Municipal Pension Fund (the Fund), a single employer defined benefit pension plan with a small but increasing defined contribution component, which provides pensions for all officers and employees of the City of Philadelphia (the City), as well as those of three quasi-governmental agencies (per applicable enabling legislation and contractual agreements). The Board was established by section 2- 308 of the 1952 Philadelphia Home Rule Charter. Its actions in administering the Retirement System are governed by Title 22 of the Philadelphia Code.

The Board consists of nine voting members - four elected by the active members within the civil service, and the City's Controller, Solicitor, Managing Director, Personnel Director, and Director of Finance, who serves as the Chair.

**Plan Membership**

At July 1, 2020, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

|  |                                  | July 1, 2020     |
|--|----------------------------------|------------------|
|  | Actives                          | 28,892           |
|  | Terminated Vesteds               | 929              |
|  | Disabled                         | 3,833            |
|  | Retirees                         | 22,249           |
|  | Beneficiaries                    | 8,471            |
|  | DROP                             | 1,642            |
|  | Total City Members               | 66,016           |
|  |                                  |                  |
|  | Annual Salaries                  | \$ 1,921,217,453 |
|  | Average Salary per Active Member | \$ 66,497        |
|  |                                  |                  |
|  | Annual Retirement Allowances     | \$ 789,023,043   |
|  | Average Retirement Allowance     | \$ 22.835        |

**Contributions**

Per Title 22 of the Philadelphia Code, members contribute to the Fund at various rates based on bargaining unit, uniform/non-uniform/elected/exempt status, and entry date into the Fund. Beginning July 1, 2020, members contributed at one of the following rates:

Employee Contribution Rates  
For the Period of July 1, 2020 to June 30, 2021

|  | Municipal (1) | Elected (2) | Police | Fire  |
|--|---------------|-------------|--------|-------|
| Plan 67                                    | 7.00%         | N/A         | 6.00%  | 6.00% |
| Plan 87                                    | 3.54%         | 10.98%      | 6.84%  | 6.84% |
| Plan 87 - 50% of Aggregate Normal Cost (3) | 4.23%         | N/A         | N/A    | N/A   |
| Plan 87 - Accelerated Vesting (4)          | 4.23%         | 12.88%      | N/A    | N/A   |
| Plan 87 Prime (5)                          | 4.54%         | 11.98%      | 7.84%  | 7.84% |
| Plan 10                                    | 2.37%         | N/A         | 7.34%  | 7.34% |
| Plan 10 - Accelerated Vesting              | 2.77%         | N/A         | N/A    | N/A   |
| Plan 16 (6)                                | 4.17%         | N/A         | N/A    | N/A   |
| Plan 16 - Accelerated Vesting (7)          | 4.60%         | N/A         | N/A    | N/A   |

- 1- For the Municipal Plan 67 members who participate in the Social Security System, employee contributions are 4.75% of compensation up to the social security wage base and 7% above it.
- 2- The employee contribution rate is based upon the normal cost of \$547,930 under plan 87 Elected, normal cost or \$308,613 under Plan 87 Municipal and annual payroll of \$3,325,892.
- 3- This represents 50% of aggregate Normal Cost for all members in Plan Y and applies to Deputy Sheriffs hired between 1/1/2012 and 6/20/2018.
- 4- Member rates for Municipal Plan 87 (Y5) members eligible to vest in five years and Elected Officials (L8) eligible to be vested in eight years instead of 10.
- 5- Plan 87 Prime refers to new hires who have the option to elect Plan 10 but have elected to stay in Plan 87. New hires after 7/1/2017 in Police and Fire Plan 87 Prime pay 8.50% and are not reflected above.
- 6- All Municipal groups (except elected officials) hired after January 1 participate in Plan 16.
- 7- Member rate for Municipal Plan 16 members eligible to vest in 7 years instead of 10 years.

Employer contributions are made by the City throughout each fiscal year (which ends June 30) and by three (3) quasi-governmental agencies on a quarterly basis. These contributions, determined by an annual actuarial valuation report (AVR), when combined with plan member contributions, are expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Within the AVR, three contribution amounts are determined based upon three different sets of rules for determining the way the unfunded actuarial liability is funded.

The first method is defined in accordance with Act 205 and defines the Minimum Municipal Obligation (MMO), which is the City's minimum required contribution under Pennsylvania state law.

The second method is in accordance with the City's Funding Policy, which predates the Act 205 rules and calls for contributions that are greater than the MMO until the initial unfunded liability determined in 1984 is fully funded.

The third method currently followed by the City, the Revenue Recognition Policy (RRP), calls for additional revenue to be contributed each year in addition to the MMO. There are three sources of additional revenue that will be received by the Fund: 1) a portion of the sales tax according to the State Legislation, 2) additional tiered member contributions based on salary level for all municipal employees, and 3) additional member contributions from the current and future uniform members in Plan 87.

Under all funding methods there are two components: the normal cost and the amortized unfunded actuarial liability. The actuarial unfunded liability is the amount of the unfunded actuarial liability that is paid each year based upon the given or defined amortization periods. The amortization periods are the same under the MMO and RRP, but different under City's Funding Policy.

**City's Funding Policy:**

The initial July 1, 1985 unfunded actuarial liability (UAL) was amortized over 34 years ending June 30, 2019, with payments increasing at 3.3% per year, the assumed payroll growth. All future amortization periods will follow the MMO funding policy below. Other changes in the actuarial liability are amortized in level-dollar payments as follows:

- Actuarial gains and losses – 20 years beginning July 1, 2009. Prior gains and losses were amortized over 15 years.
- Assumptions changes – 15 years beginning July 1, 2010. Prior to July 1, 2010, assumption changes were amortized over 20 years.
- Plan changes for active members – 10 years.
- Plan changes for inactive members – 1 year.
- Plan changes mandated by the State – 20 years.

In fiscal year 2021, the City and other employers' contributions of \$788.5 million was less than the actuarially determined employer contribution (ADEC) of \$856.5 million. In the event that the City contributes less than the funding policy, an experience loss will be created which will be amortized in accordance with funding policy over a closed 20-year period.

The Schedule of Employer Contributions (based on the City's Funding Policy) is included as Required Supplemental Information and provides a 10-year presentation of the employer contributions.

**Minimum Municipal Obligation (MMO):**

For the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL.

In fiscal year 2021, the City and other employers' contributions of \$788.5 million exceeded the Minimum Municipal Obligation of \$673.9 million.

The Schedule of Employer Contributions (based on the MMO Funding Policy) is included as Required Supplemental Information and provides a 10-year presentation of the employer contributions.

**Revenue Recognition Policy (RRP)**

Revenue Recognition Policy is similar to the MMO except that the assets used to determine the unfunded liability do not include the portion of sales tax revenue, tiered member contributions from the municipal employees, and additional uniform members' contributions. These sources of income are contributed over and above the City's contribution of the MMO and will be in addition to the MMO. Therefore, under this funding method the additional revenue amounts are separately tracked and accumulated in a notional account which is then subtracted from the assets before calculating the contribution amounts due under the MMO methodology. The Fund accumulates these amounts in a notional account and deducts them from the Actuarial Asset Value before the MMO is determined. These amounts are accumulated at the Actuarial Asset Value return rates to preserve the new funding methodology objective.

In fiscal year 2021, the City and other employers' contributions of \$788.5 million exceeded the contribution under Revenue Recognition Policy of \$713.0 million.

The Schedule of Employer Contributions (based on the RRP Funding Policy) is included as Required Supplementary Information and provides a 10-year presentation of the employer contributions.

**b. BENEFITS**

The Fund provides retirement, disability, and death benefits according to the provisions of Title 22 of the Philadelphia Code. These provisions prescribe retirement benefit calculations, vesting thresholds, and minimum retirement ages that vary based on bargaining unit, uniform/non-uniform status, and entry date into the System.

Non-uniform employees may retire at either age 55 with up to 80% of average final compensation (AFC) or age 60 with up to either 100% or 25% of AFC, depending on entry date into the Fund. Uniform employees may retire at either age 45 with up to 100% of AFC or age 50 with up to either 100% or 35% of AFC, depending on entry date into the Fund. Survivorship selections may result in an actuarial reduction to the calculated benefit.

Members may qualify for service-connected disability benefits regardless of length of service. Service-connected disability benefits are equal to 70% of a member's final rate of pay and are payable immediately without an actuarial reduction. These applications require approval by the Board. Eligibility to apply for non-service-connected disability benefits varies by bargaining unit and uniform/non-uniform status. Non-service-connected disability benefits are determined in the same manner as retirement benefits and are payable immediately.

Service-connected death benefits are payable to:

1. surviving spouse/life partner at 60% of final rate of pay plus up to 2 children under age 18 at 10% each of final rate of pay (maximum payout: 80%);
2. if no surviving spouse/life partner, up to 3 children under age 18 at 25% each of final rate of pay (maximum payout 75%); or
3. if no surviving spouse/life partner or children under age 18, up to 2 surviving parents at 15% each of final rate of pay (maximum payout 30%).



Non-service-connected deaths are payable as a lump sum payment, unless the deceased was either vested or had reached minimum retirement age for their plan, in which case the beneficiary(ies) may instead select a lifetime monthly benefit, payable immediately with an actuarial reduction.

A Pension Adjustment Fund (PAF) is funded with 50% of the excess earnings that are between 1% and 6% above the actuarial assumed earnings rate. Each year within 60 days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost of living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries and their survivors. As of July 1, 2020, the date of the most recent actuarial valuation, there was \$1,243,871 in the PAF and the Board voted to make PAF distributions of \$0 during the fiscal year ended June 30, 2021.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the four-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the four-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the four-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2021, is \$114.6 million.

**c. INVESTMENTS**

The Pension Board's Investment Policy Statement provides, in part:

The overall investment objectives and goals should be achieved by use of a diversified portfolio, with safety of principal a primary emphasis. The portfolio policy should employ flexibility by prudent diversification into various asset classes based upon the relative expected risk-reward relationship of the asset classes and the expected correlation of their returns.

The Fund seeks an annual total rate of return of not less than 7.50% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its current actuarially assumed earnings projection of 7.50% over a market cycle. The investment return assumption was reduced by the Board from 7.55% to 7.50% from the prior fiscal year. The Fund's investment program will pursue its aforesaid total rate of return by a combination of income and appreciation, relying upon neither exclusively in evaluating a prospective investment for the Fund.

All investments are made only upon recommendation of the Fund's Investment Committee and approval by a majority of the Pension Board. In order to document and communicate the objectives, restrictions, and guidelines for the Fund's investment staff and investments, a continuously updated Investment Policy Statement is maintained. The Investment Policy Statement is updated (and re-affirmed) each year at the January Board meeting.

The following was the Board's approved asset allocation policy as of April 22, 2021:

| Asset Class                              | Target Allocation |
|--|-------------------|
| Broad Fixed Income                       | 13.0 %            |
| High Yield                               | 1.0 %             |
| Global Aggregate                         | 1.0 %             |
| Emerging Market Debt                     | 2.0 %             |
| U.S. Large Cap Core Equity               | 20.0 %            |
| U.S. Mid Cap Core Equity                 | 4.0 %             |
| U.S. Small Cap Core Equity               | 4.0 %             |
| Global Low Volatility Equity             | 10.0 %            |
| International Developed Large Cap Equity | 10.0 %            |
| International Small Cap Equity           | 3.0 %             |
| Emerging Market Equity                   | 3.0 %             |
| Core Real Estate                         | 10.0 %            |
| Public REITs                             | 1.0 %             |
| Opportunistic Real Estate                | 1.0 %             |
| Global Infrastructure                    | 5.0 %             |
| Private Equity                           | 12.0 %            |
| Total                                    | 100.0 %           |

**Money-Weighted Rate of Return**

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 28.23%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

**d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Financial statements of the Fund are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Fund.

**Method Used to Value Investments**

The Fund's investments are reported at fair value. Fair value is the amount that the Fund can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges or securities pricing services. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on similar sales.

For private market investments which include private equity, private debt, venture capital, hedge funds and equity real estate investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership's most recent available financial information. Some of the investment values provided in the report are estimates due to a lag in reporting for private market investments.

Futures contracts, foreign exchange contracts, and options are marked-to-market daily with changes in market value recognized as part of net appreciation/depreciation in the fair value of investments. Initial margin requirements for such financial instruments are provided by investment securities pledged as collateral or by cash.

Investment expenses consist of investment manager fees and investment consultant fees related to the traditional investments only, and not those fees related to the alternative investments. Fair market values reported for the alternative investments are net of investment expenses. Unsettled investment sales are reported as Accrued Interest and Other Receivable, and unsettled investment purchases are included in Accrued Expenses and Other Liabilities.

Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis.

**Income Taxes**

The Fund qualifies under Section 401(a) of the Internal Revenue Code (IRC) and is exempt from income taxation as allowed by Section 501(a) of the IRC.

**Related Parties**

The City's Department of Finance provides cash receipt and cash disbursement services to the Fund. The City's Solicitor's office provides legal services to the Fund. Other administrative services are also provided by the City.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Risks and Uncertainties**

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Contributions are calculated based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these statements and assumptions in the near-term would be material to the financial statements.

Due to continuously evolving COVID-19 pandemic, it is difficult to determine its impact on the Fund's investments and employee demographics, therefore, no specific adjustments have been made as of the reporting date. However, it is reasonably possible that its impact could significantly affect the amounts reported in the financial statements in near term.

**Administrative Expenses**

Administrative expenses of the Fund are paid for by the Fund.

**e. CASH DEPOSITS, INVESTMENTS AND SECURITIES LENDING**

**Legal Provisions**

The Fund is authorized to invest in "prudent investments," including obligations of the U.S. Treasury, agencies and instrumentalities of the United States, investment grade corporate bonds, common stock, real estate, private market, etc. City ordinances contain provisions which preclude the Fund from investing in organizations that conduct business in certain countries and also impose limitations on the amounts invested in certain types of securities.

**Custodial Credit Risk**

Custodial credit risk for Deposits is the risk that in the event of a bank failure, the Fund's deposits may not be returned to them. The Fund's cash deposits are held in two banks as of June 30, 2021. Amounts are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Fund's name. The Fund classifies Money Market funds held by custodian institution, JPMorgan, N.A., as cash equivalents. The Fund also classifies Treasury Bills and Commercial Papers as cash equivalent if the date of maturity is three months or less from the acquisition date. Custodial credit risk for Investments is the risk that in the event of counter-party failure, the Fund may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department are uninsured and are not registered in the name of the Fund. The Fund requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Fund. Certain investments may be held by the managers in the Fund's name.

**Interest Rate Risk**

Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes.

Duration is a measure of the approximate sensitivity of a bond's value to interest rate changes. The higher the duration, the greater the changes in fair value when interest rates change. The Fund measures interest rate risk using *segmented time distribution*, which shows the total fair value of investments maturing during a given period.

The table below details the exposure to interest rate changes based upon maturity dates of the fixed income securities at June 30, 2021:

| 2021 (in Thousands)                         | Total Fair Value  | Less Than 1 Year  | 1-5 Years         | 6-10 Years        | More than 10 Years |
|---|-------------------|-------------------|-------------------|-------------------|--------------------|
| Asset Backed Securities                     | \$ 32,903         | \$ 1,046          | \$ 6,624          | \$ 9,589          | \$ 15,644          |
| CDO   | 2,546             | 2,546             | -                 | -                 | -                  |
| CMO/REMIC                                   | 3,677             | 991               | 10                | 46                | 2,630              |
| Commercial Mortgage Backed Securities       | 22,886            | 7,144             | -                 | 309               | 15,433             |
| Corporate Bonds                             | 351,943           | 76,108            | 76,400            | 128,947           | 70,488             |
| Government Bonds                            | 386,787           | 113,080           | 150,902           | 57,837            | 64,968             |
| Mortgage Backed Securities                  | 126,780           | 328               | 721               | 2,218             | 123,513            |
| Municipal Bonds                             | 10,121            | -                 | 1,767             | 2,988             | 5,366              |
| Total Interest Rate Risk of Debt Securities | <u>\$ 937,643</u> | <u>\$ 201,243</u> | <u>\$ 236,424</u> | <u>\$ 201,934</u> | <u>\$ 298,042</u>  |

#### Concentration of Credit Risk

Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2021, the Fund has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

#### Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The fund is subject to credit risk on \$937.6 million of directly owned fixed income securities. The Fund's directly owned rated debt investments as of June 30, 2021, were rated by Standard & Poor's, a nationally recognized statistical rating agency and are presented below using Standard and Poor's rating scale:

| 2021 (in Thousands)                   | Credit Rating     |                  |                   |                  |                   |                  |                  |                  |                 |              |               |
|---------------------------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|------------------|------------------|-----------------|--------------|---------------|
|                                       | Total Fair Value  | AAA              | AA                | A                | BBB               | BB               | B                | CCC              | CC              | C            | NR            |
| Asset Backed Securities               | \$ 32,903         | \$ 10,192        | \$ 4,286          | \$ 672           | \$ 4,675          | \$ -             | \$ -             | \$ -             | \$ -            | \$ -         | \$ 13,078     |
| CDO                                   | 2,546             | 1,762            | 784               | -                | -                 | -                | -                | -                | -               | -            | -             |
| CMO/REMIC                             | 3,677             | 439              | 2,870             | 16               | 240               | -                | 17               | -                | -               | -            | 5             |
| Commercial Mortgage Backed Securities | 22,886            | 15,054           | 5,224             | 973              | -                 | -                | 24               | -                | -               | -            | 1611          |
| Corporate Bonds                       | 351,943           | 1,592            | 8,834             | 63,490           | 116,496           | 69,394           | 58,932           | 20,315           | -               | -            | 13,090        |
| Government Bonds                      | 386,787           | 7,016            | 286,002           | 10,877           | 44,272            | 22,739           | 10,416           | 2,873            | 1,752           | 33           | 455           |
| Mortgage Backed Securities            | 126,780           | -                | 126,780           | -                | -                 | -                | -                | -                | -               | -            | -             |
| Municipal Bonds                       | 10,121            | -                | 4,783             | 4,073            | 410               | 855              | -                | -                | -               | -            | -             |
| Total Credit Risk of Debt Securities  | <u>\$ 937,643</u> | <u>\$ 36,055</u> | <u>\$ 439,363</u> | <u>\$ 80,191</u> | <u>\$ 166,093</u> | <u>\$ 92,988</u> | <u>\$ 69,369</u> | <u>\$ 23,188</u> | <u>\$ 1,752</u> | <u>\$ 33</u> | <u>\$ 455</u> |

### Foreign Currency Risk

The Fund's exposure to foreign currency risk derives from its position in foreign currency-denominated cash and investments in fixed income, equities, and derivatives. The foreign currency investment in equity securities is 39.4% of the total investment in equities. The Fund's exposure to foreign currency risk on June 30, 2021 was as follows (expressed in thousands):

| Currency                 | Cash             | Fixed Income     | Equities            | Derivatives     | Total               |
|--------------------------|------------------|------------------|---------------------|-----------------|---------------------|
| Euro (EUR)               | \$ 1,886         | \$ 1,475         | \$ 490,645          | \$ (268)        | \$ 493,738          |
| Japanese Yen (JPY)       | 1,554            | -                | 332,288             | 31              | 333,873             |
| Pound Sterling (GBP)     | 970              | 1,091            | 198,494             | -               | 200,555             |
| Canadian Dollar (CAD)    | 316              | 1,260            | 169,882             | (34)            | 171,424             |
| Hong Kong Dollar (HKD)   | 367              | -                | 141,090             | -               | 141,457             |
| Australian Dollar (AUD)  | 326              | 7,266            | 114,227             | 267             | 122,086             |
| Swiss Franc (CHF)        | 725              | -                | 116,925             | 98              | 117,748             |
| Swedish Krona (SEK)      | 235              | -                | 51,060              | 7               | 51,302              |
| South Korean Won (KRW)   | -                | -                | 49,240              | (132)           | 49,108              |
| Danish Krone (DKK)       | 211              | -                | 30,289              | 10              | 30,510              |
| Mexican Peso (MXN)       | 80               | 18,242           | 6,230               | (28)            | 24,524              |
| South African Rand (ZAR) | 108              | 10,241           | 11,195              | (31)            | 21,513              |
| Brazilian Real (BRL)     | 60               | 4,967            | 15,078              | 232             | 20,337              |
| Singapore Dollar (SGD)   | 228              | 122              | 14,208              | 4               | 14,562              |
| Indonesian Rupiah (IDR)  | -                | 6,914            | 6,413               | -               | 13,327              |
| Norwegian Krone (NOK)    | 209              | -                | 12,829              | -               | 13,038              |
| Malaysian Ringgit (MYR)  | 45               | 7,138            | 5,645               | -               | 12,828              |
| Thai Baht (THB)          | (2)              | 1,169            | 6,886               | (43)            | 8,010               |
| Israeli New Shekel (ILS) | 199              | -                | 7,562               | -               | 7,761               |
| Colombian Peso (CLP)     | 70               | 6,711            | 99                  | 19              | 6,899               |
| New Zealand Dollar (NZD) | 164              | -                | 6,098               | 4               | 6,266               |
| Polish Zloty (PLN)       | 3                | -                | 2,595               | 6               | 2,604               |
| All Others               | 2,893            | 6,022            | 15,178              | (388)           | 23,705              |
|                          | <u>\$ 10,647</u> | <u>\$ 72,618</u> | <u>\$ 1,804,156</u> | <u>\$ (246)</u> | <u>\$ 1,887,175</u> |

### Derivatives

The Fund may invest in derivatives as permitted by guidelines established by the Pension Board. Pursuant to such authority, the Fund may invest in foreign currency forward contracts, options, futures (S&P Fund) and swaps. No derivatives were purchased with borrowed funds.

Derivatives are generally used to provide market exposure in the equity portfolio and to hedge against foreign currency risk and changes in interest rates, improve yield and adjust the duration of the Fund's fixed income portfolio. These securities are subject to changes in value due to changes in interest rates or currency valuations. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the Fund, which is the risk that the counterparty might be unable to meet its obligations.

Derivative instruments such as swaps, options, futures, and forwards are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments also can expose governments to significant risks and liabilities.

The Fund enters into a variety of financial contracts, which include options, futures, forwards, and swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMOs); other forward contracts, and U.S. treasury strips. The contracts are used primarily to enhance performance and reduce the volatility of the portfolio. The Fund is exposed to credit risk in the event of non-performance by counterparties to financial instruments. The Fund generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The Fund is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the Fund's involvement in the various types and uses of derivative financial instruments and do not measure the Fund's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

### Derivative Instruments

The following table summarizes aggregate notional or contractual amounts for the Fund's derivative financial instruments on June 30, 2021 in addition to the fair value and change in the fair value of derivatives.

| List of Derivatives Aggregated by Investment Type |   |                     |                             |                     |                       |
|---|---|---------------------|-----------------------------|---------------------|-----------------------|
| Classification                                    | Change in Fair Value                              |                     | Fair Value at June 30, 2021 |                     | Notional              |
| Investment<br>Derivatives                         |   |                     |                             |                     |                       |
| Forwards Currency<br>Contracts                    | Net Appreciation (Depreciation)<br>in Investments | \$ (381,815)        | Investments                 | \$ (238,328)        | \$ 302,429,056        |
| Futures   | Net Appreciation (Depreciation)<br>in Investments | (389,348)           | Investments                 | (370,770)           | 218                   |
| Grand Totals                                      |   | <u>\$ (771,163)</u> |                             | <u>\$ (609,098)</u> | <u>\$ 302,429,274</u> |

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the City of Philadelphia Municipal Pension Fund. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have credit ratings available from nationally recognized rating institutions such as Moody, Fitch, and S&P. The details of other risks and financial instruments in which the Fund involves are described below.

#### Credit risk:

The Fund is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Fund's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below **AA** as issued by Fitch Ratings and Standard & Poor's or **Aa** as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The city has never failed to access collateral when required.

It is the Fund's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

#### Swap agreements:

These derivative instruments provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes, or interest rates. Under fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were no total receive fixed interest Swaps during 2021. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Fund's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Fund's net payment on the swap increases.

#### Futures contracts:

These derivative instruments are types of contracts in which the buyer agrees to purchase, and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that the counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Fund enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The realized gain from Futures contracts was \$5,416,665.

**Forward contracts:**

The Fund is exposed to basis risk on its forward contracts because of a possible mismatch between the price of the asset being hedged and the price at which the forward contract is expected to settle. The realized gain from forward contracts was \$2,855,531.

**Termination risk:**

The Fund or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the Fund is exposed to termination risk on its receive-fixed interest rate swap. The Fund is exposed to termination risk on its rate cap because the counterparty has the option to terminate the contract if the SIFMA swap index exceeds 12%. If at the time of termination, a hedging derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

**Rollover risk:**

The Fund is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Fund will be re-exposed to the risks being hedged by the hedging derivative instrument.

**Fair Value Measurement**

The accounting pronouncement on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The Municipal Pension Fund has the following recurring fair value measurement as of June 30, 2021 (expressed in thousands):

|  | June 30, 2021       | Fair Value Measurements Using   |   |  |
|--|---------------------|---|---|--|
|  |                     | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments by Fair Value Level</b>                   |                     |   |   |  |
| U.S. Treasury Securities                                 | \$ 268,106          | \$ -  | \$ 268,106  | \$ -   |
| Agency Bonds   | 8,985               | -   | 8,985   | -  |
| Asset Backed Securities                                  | 32,903              | -   | 32,903  | -  |
| Collateralized Debt Obligation                           | 2,546               | -   | 2,546   | -  |
| Corporate Bonds  | 351,943             | -   | 351,943   | -  |
| Government Bonds   | 104,432             | -   | 104,432   | -  |
| Mortgage Backed Securities                               | 153,343             | -   | 153,343   | -  |
| Municipal Bonds  | 10,121              | -   | 10,121  | -  |
| Sovereign Debt   | 5,264               | -   | 5,264   | -  |
| Mutual Funds   | 1,361               | 1,361   | -   | -  |
| Equity   | 4,583,162           | 4,579,966   | 1,143   | 2,053  |
| <b>Total Investments by Fair Value Level</b>             | <b>5,522,166</b>    | <b>4,581,327</b>  | <b>938,786</b>                                      | <b>2,053</b>                                       |
| <b>Investments Measured at the Net Asset Value (NAV)</b> |                     |   |   |  |
| Credit Distressed Hedge Fund                             | \$ 621              |   |   |  |
| Equity Long/Short Hedge funds                            | 33,042              |   |   |  |
| Real Estate  | 568,769             |   |   |  |
| Private Equity   | 849,366             |   |   |  |
| Fixed Income Hedge Funds                                 | 35,850              |   |   |  |
| <b>Total Investments Measured at the NAV</b>             | <b>1,487,648</b>    |   |   |  |
| <b>Total Investments Measured at Fair Value</b>          | <b>\$ 7,009,814</b> |   |   |  |
| <b>Investment Derivative Instruments</b>                 |                     |   |   |  |
| Equity Index Futures (Assets)                            | \$ 22               | \$ 22   | \$ -  |  |
| Equity Index Futures (Liabilities)                       | (452)               | (452)   | -   |  |
| Currency Futures (Assets)                                | 59                  | 59  | -   |  |
| Forward Currency Contracts (Assets)                      | 1,179               | -   | 1,179   |  |
| Forward Currency Contracts (Liabilities)                 | (1,417)             | -   | (1,417)   |  |
| <b>Total Investment Derivative Instruments</b>           | <b>\$ (609)</b>     | <b>\$ (371)</b>   | <b>\$ (238)</b>                                     |  |



**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. Such inputs include quoted prices in active markets for identical assets or liabilities.

**Level 2** - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data substantially for the full term of the assets or liabilities.

**Level 3** - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (expressed in thousands).

|   |                     | Unfunded<br>Commitments | Redemption<br>Frequency (If<br>Currently Eligible) | Redemption<br>Notice<br>Period |
|---|---------------------|-------------------------|--|--------------------------------|
| <u>Investment Measured at the Net Asset Value (NAV)</u> |                     |                         |  |                                |
| Credit Distressed Hedge Fund                            | \$ 621              | \$ -                    | Quarterly  | 90 days                        |
| Equity Long/Short Hedge funds                           | 33,042              | -                       | Quarterly  | 90 days' notice                |
| Real Estate   | 568,769             | 16,576                  | N/A  | N/A                            |
| Private Equity  | 849,366             | 306,593                 | N/A  | N/A                            |
| Fixed Income Hedge Funds                                | 35,850              | -                       | Quarterly  | 90-120 days                    |
| Total Investments Measured at the NAV                   | <u>\$ 1,487,648</u> |                         |  |                                |

**1. Credit distressed hedge funds:** This Fund seeks to identify and exploit event driven opportunities both on the long and short side in the stressed and distressed corporate debt markets. Investments are generally driven by fundamental, value-oriented analysis, and specific credit events. This Fund maintains the flexibility to invest globally and across capital structures of stressed and distressed companies. Investments generally target secondary U.S. credit opportunities across all tranches of a company's debt capital structure. The Fund may also invest opportunistically in certain equities, long and short. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments can be redeemed with a 90 days' notice. This Fund has been terminated but due to its structure and illiquid nature, investments haven't been fully liquidated yet.

**2. Equity long/short hedge funds:** This Fund will typically hold 0-50 long positions and 10-15 short positions in U.S. common stocks. Management can shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The Fund mitigates market risk by utilizing short positions. In periods of extreme volatility, the Fund may hold a significant portion of its assets in cash. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments can be redeemed with a 90 days' notice.

**3. Real estate funds:** This type includes funds that invest in U.S. and Non-U.S. commercial and residential real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management is required to approve of the buyer before the sale of the investments can be completed. It is expected that the underlying assets of the funds will be liquidated over the next seven to 10 years.

**4. Private equity funds:** The primary goal of these Funds is to generate returns for investors that exceed private equity industry benchmarks and are commensurate with asset class risk through the construction of a portfolio of opportunistic, highly performing private equity investments. Investments these funds may undertake include early-stage venture capital, later-stage growth financings, leveraged buyouts of medium and large-sized companies, mezzanine investments, PIPES and investments in companies that are being taken private. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the



fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over five to 10 years. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. Once a buyer has been identified, the investee fund's management is required to approve of the buyer before the sale of the investments can be completed.

**5. Fixed income hedge funds:** The primary goal of these Funds is to create alpha by sourcing proprietary opportunities, avoiding capital loss, buying securities below their intrinsic value, and selling securities above their intrinsic value. Firms look for opportunities that are currently mispriced, based on fundamentals or potentially an event that may improve the price of the holding. Investments are generally driven by fundamental, value-oriented analysis, and specific credit events. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments can be redeemed with a 90-120 days' notice. These Funds have been terminated but because of their structure and illiquid nature, the investments haven't been fully liquidated yet.

#### **Securities Lending Program**

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized J.P. Morgan Bank and Trust Company (J.P. Morgan) to act as the Fund's agent in lending the Fund's securities to approved borrowers. J.P. Morgan, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, J.P. Morgan lent, on behalf of the Fund, certain securities of the Fund held by J.P. Morgan Chase Bank, N.A. as custodian and received cash or other collateral including securities issued or guaranteed by the United States, U.K., and Eurozone governments. J.P. Morgan does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102% or 105% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, J.P. Morgan had an obligation to indemnify the Fund in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed account based upon the investment guidelines established by the Fund. As of June 30, 2021, the weighted average maturity was 48 days and the final maturity was 351 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2021, the Fund had no credit risk exposure to borrowers because all borrowers were required to deliver collateral for each loan.

As of June 30, 2021, the fair value of securities on loan was \$176.2 million. Associated collateral totaling \$182.0 million was comprised of cash which was invested in a separately managed account based upon the investment guidelines established by the Pension Fund. As of June 30, 2021, the invested cash collateral was \$182.0 million and is valued at amortized cost.

#### **f. INVESTMENT ADVISORS**

The Fund utilizes investment advisors to manage long-term debt, real estate, private market, and equity portfolios. To be eligible for consideration, investments must meet criteria set forth in governing laws and regulations.

#### **g. NET PENSION LIABILITY**

The components of the net pension liability as of June 30, 2021 were as follows:

|                                  |                         |
|----------------------------------|-------------------------|
| Total Pension Liability          | \$ 12,218,303,114       |
| Plan Fiduciary Net Position      | 7,424,982,787           |
| Collective Net Pension Liability | <u>\$ 4,793,320,327</u> |

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 60.8%

**Actuarial assumptions:**

The total pension liability was determined by an actuarial valuation as of June 30, 2020 and was rolled forward to June 30, 2021. The June 30, 2020 actuarial valuation used the following actuarial assumptions, applied to all periods including the measurement period:

|                            |  |
|----------------------------|--|
| Actuarial Cost Method:     | Entry Age Normal                           |
| Investment Rate of Return: | 7.50% compounded annually, net of expenses |
| Salary Increases:          | Age based table                            |

The investment return assumption was changed from 7.55% from the prior year valuation to 7.50% for the current year valuation.

To recognize the expense of the benefits payable under the Pension Adjustment Fund, the actuarial liabilities have been increased by 0.54%. This estimate is based on the statistical average expected value of the benefits.

Mortality Rates: For Municipal and Elected Officials, 127% and 119% for males and females, respectively, of the RP-2014 Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017. For Uniform, 115% of the RP-2014 Blue Collar Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

The measurement date for the net pension liability (NPL) is June 30, 2021. Measurements are based on the fair value of assets as of June 30, 2021, and the total pension liability (TPL) as of the valuation date, July 1, 2020, updated to June 30, 2021. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. During the measurement year, the collective NPL decreased by approximately \$1.41 billion. The service cost and interest cost increased the collective NPL by approximately \$1.07 billion while contributions plus investment income offset by administrative expenses decreased the collective NPL by approximately \$2.53 billion.

Additionally, there was an actuarial experience gain during the year of approximately \$2.0 million.

**Long-term expected rate of return:**

The long-term expected rate of return on pension plan investments was determined using the software simulations developed by the Fund's investment consultant, Marquette Associates, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

| Asset Class                              | Long-Term Expected Rate of Return |
|--|-----------------------------------|
| Broad Fixed Income                       | 1.9 %                             |
| High Yield                               | 4.3 %                             |
| Global Aggregate                         | 1.3 %                             |
| Emerging Market Debt                     | 4.8 %                             |
| U.S. Large Cap Core Equity               | 7.3 %                             |
| U.S. Mid Cap Core Equity                 | 7.6 %                             |
| U.S. Small Cap Core Equity               | 8.2 %                             |
| Global Low Volatility Equity             | 6.7 %                             |
| International Developed Large Cap Equity | 7.4 %                             |
| International Small Cap Equity           | 8.0 %                             |
| Emerging Market Equity                   | 8.0 %                             |
| Hedge Funds                              | 5.4 %                             |
| Core Real Estate                         | 6.2 %                             |
| Public REITs                             | 5.6 %                             |
| Opportunistic Real Estate                | 11.0 %                            |
| Global Infrastructure                    | 7.1 %                             |
| Private Equity                           | 11.3 %                            |

The above table reflects the expected real rate of return for each major asset class. The expected inflation rate is projected at 2.0% for the same period.

**Discount Rate:** The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

**Sensitivity of the net pension liability:** The following presents the net pension liability of the Fund, calculated using the discount rate of 7.50%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

|   | 1%<br>Decrease<br>6.50% | Discount<br>Rate<br>7.50% | 1%<br>Increase<br>8.50% |
|---|-------------------------|---------------------------|-------------------------|
| Total Pension Liability   | \$ 13,475,011,590       | \$ 12,218,303,114         | \$ 11,147,541,616       |
| Plan Fiduciary Net Position   | 7,424,982,787           | 7,424,982,787             | 7,424,982,787           |
| Collective Net Pension Liability  | <u>\$ 6,050,028,803</u> | <u>\$ 4,793,320,327</u>   | <u>\$ 3,722,558,829</u> |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Pension Liability | 55.1%                   | 60.8%                     | 66.6%                   |

**h. GUARANTEE OF BENEFITS**

Benefits under the Fund are guaranteed by statute. In the event that employee contributions do not equal required benefits, the City's General Fund must provide any shortfall.

**i. PARTICIPATION IN THE PENSION FUND**

The trustees for the Fund are also members of the Fund and as such, are subject to the provisions of the Fund as described in the notes to these financial statements.

**j. REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS**

**Changes in Collective Net Pension Liability:** The following table shows the changes in total pension liability (TPL), the plan fiduciary net position (i.e., fair value of the System assets) (FNP), and the net pension liability (NPL) during the measurement period ending on June 30, 2021.

|  | Change in Collective Net Pension Liability |                                 |                                 |
|--|--|---------------------------------|---------------------------------|
|  | Increase (Decrease)                        |                                 |                                 |
|  | Total Pension Liability (a)                | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| <b>Balances at 6/30/2020</b>                       | \$ 11,983,391,471                          | \$ 5,782,890,966                | \$ 6,200,500,505                |
| <b>Changes for the year:</b>                       |  |                                 |                                 |
| Service cost                                       | 187,598,279                                |                                 | 187,598,279                     |
| Interest   | 884,098,846                                |                                 | 884,098,846                     |
| Changes of benefits                                | -  |                                 | -                               |
| Differences between expected and actual experience | (2,417,031)                                |                                 | (2,417,031)                     |
| Changes of assumptions                             | 57,076,512                                 |                                 | 57,076,512                      |
| Contributions - employer                           |  | 788,483,157                     | (788,483,157)                   |
| Contributions - member                             |  | 111,272,801                     | (111,272,801)                   |
| Net investment income                              |  | 1,643,489,659                   | (1,643,489,659)                 |
| Benefit payments                                   | (891,444,963)                              | (891,444,963)                   | 0                               |
| Administrative expense                             |  | (9,708,833)                     | 9,708,833                       |
| <b>Net Changes</b>                                 | <u>234,911,643</u>                         | <u>1,642,091,821</u>            | <u>(1,407,180,178)</u>          |
| <b>Balances at 6/30/2021</b>                       | <u>\$ 12,218,303,114</u>                   | <u>\$ 7,424,982,787</u>         | <u>\$ 4,793,320,327</u>         |

**Employer's Proportionate Shares:** GASB 68 requires that the proportionate share for each employer be determined based upon the "employer's projected long-term contribution effort to the pension ... as compared to the total long-term contribution effort to all employers". In addition to the City, three governmental agencies currently participate in the system, PHDC, PPA, and PMA. The method of allocation is based on the ratio of quasi-agency contributions in proportion to total contributions by plan.

**Pension Amounts by Employer:** The following schedule presents the pension amounts for each participating employer: Philadelphia Parking Authority (PPA), Philadelphia Municipal Authority (PMA), Philadelphia Housing Development Corporation (PHDC), and the City of Philadelphia (City).

| Schedule of Pension Amounts by Employer |                     |                  |                    |                        |                        |
|---|---------------------|------------------|--------------------|------------------------|------------------------|
| For the year ended                      | PPA                 | PMA              | PHDC               | City                   | Total                  |
| Collective pension expenses             | \$ 5,175,725        | \$ 230,032       | \$ 690,097         | \$ 377,291,197         | \$ 383,387,051         |
| Change in proportion                    | (16,374,625)        | 219,342          | (836,548)          | 16,991,831             | -                      |
| Contribution difference                 | 5,839,032           | 89,271           | 551,386            | (6,479,688)            | -                      |
| Employer pension expense                | <u>(5,359,868)</u>  | <u>538,645</u>   | <u>404,935</u>     | <u>387,803,340</u>     | <u>383,387,051</u>     |
| Net pension liability 6/30/20           | 94,867,658          | 3,100,250        | 11,160,901         | 6,091,371,696          | 6,200,500,505          |
| Net pension liability 6/30/21           | 64,709,824          | 2,875,992        | 8,627,977          | 4,717,106,534          | 4,793,320,327          |
| Change in net pension liability         | <u>(30,157,834)</u> | <u>(224,258)</u> | <u>(2,532,924)</u> | <u>(1,374,265,162)</u> | <u>(1,407,180,178)</u> |
| Deferred outflow s 6/30/20              | 16,695,920          | 699,828          | 1,660,871          | 371,962,899            | 391,019,518            |
| Deferred outflow s 6/30/21              | 13,500,230          | 953,570          | 1,422,257          | 103,657,135            | 119,533,192            |
| Change in deferred outflow s            | <u>(3,195,690)</u>  | <u>253,742</u>   | <u>(238,614)</u>   | <u>(268,305,764)</u>   | <u>(271,486,326)</u>   |
| Deferred inflow s 6/30/20               | (33,999,230)        | (14,836)         | (1,070,613)        | (12,663,956)           | (47,748,635)           |
| Deferred inflow s 6/30/21               | (38,103,598)        | (441,599)        | (1,558,863)        | (738,242,319)          | (778,346,379)          |
| Change in deferred inflow s             | <u>(4,104,368)</u>  | <u>(426,763)</u> | <u>(488,250)</u>   | <u>(725,578,363)</u>   | <u>(730,597,744)</u>   |
| Employer contributions                  | 17,497,905          | 589,882          | 2,210,995          | 768,184,375            | 788,483,157            |
| Employer pension expense                | <u>(5,359,868)</u>  | <u>538,645</u>   | <u>404,935</u>     | <u>387,803,340</u>     | <u>383,387,051</u>     |

### Reconciliation of Net Pension Liability

The following table reconciles the Collective Net Pension Liability to the amount reported in the Primary Government Net Pension Liability in Exhibit I.

| Reconciliation of Collective Net Pension Liability to the Primary Government Net Pension Liability |                            |                                      |                                  |
|--|----------------------------|--------------------------------------|----------------------------------|
| (Amounts in thousands of USD)  |                            |                                      |                                  |
| Municipal Pension Fund   | Proportionate Share of NPL | Discretely Presented Component Units | City and Blended Component Units |
| City   | 4,717,107                  | -                                    | 4,717,107                        |
| PPA  | 64,710                     | 64,710                               | -                                |
| PMA  | 2,876                      | -                                    | 2,876                            |
| PHDC (1)   | 8,628                      | 8,628                                | -                                |
| Collective Net Pension Liability   | 4,793,320                  | 73,338                               | 4,719,983                        |
| State Pension Fund   |                            |                                      |                                  |
| PICA   |                            |                                      | 1,368                            |
| City's Primary Government Net Pension Liability (Exhibit I)  |                            |                                      | 4,721,350                        |

(1) PHDC does not appear in the Component Unit Financial Statements (Exhibit XI Statement of Net Position and Exhibit XII Statement of Activities) due to immateriality.

### Deferred Outflows by Employer

The following table summarizes the deferred outflows allocated to each employer for experience, assumptions changes, investment returns and contribution differences.

| Schedule of Employer's Deferred Outflows |               |            |              |                |                |
|--|---------------|------------|--------------|----------------|----------------|
|  | PPA           | PMA        | PHDC         | CITY           | Total          |
| Proportionate Shares                     | 1.35%         | 0.06%      | 0.18%        | 98.41%         | 100%           |
| Experience                               | \$ 136,736    | \$ 6,077   | \$ 18,232    | \$ 9,967,580   | \$ 10,128,625  |
| Assumption changes                       | 905,266       | 40,234     | 120,702      | 65,990,515     | 67,056,717     |
| Investment return                        | -             | -          | -            | -              | -              |
| Proportion change                        | -             | 702,643    | -            | 27,699,040     | 28,401,683     |
| Contribution difference                  | 12,458,228    | 204,616    | 1,283,323    | -              | 13,946,167     |
|  | \$ 13,500,230 | \$ 953,570 | \$ 1,422,257 | \$ 103,657,135 | \$ 119,533,192 |

### Deferred Inflows by Employer

The following table summarizes the deferred inflows allocated to each employer for experience, assumptions changes, investment returns and contribution differences.

| Schedule of Employer's Deferred Inflows |               |            |              |                |                |
|---|---------------|------------|--------------|----------------|----------------|
|   | PPA           | PMA        | PHDC         | CITY           | Total          |
| Proportionate Shares                    | 1.35%         | 0.06%      | 0.18%        | 98.41%         | 100%           |
| Experience                              | \$ 26,104     | \$ 1,160   | \$ 3,481     | \$ 1,902,880   | \$ 1,933,625   |
| Assumption changes                      | -             | -          | -            | -              | -              |
| Investment return                       | 9,909,876     | 440,439    | 1,321,317    | 722,393,272    | 734,064,904    |
| Proportion change                       | 28,167,618    | -          | 234,065      | -              | 28,401,683     |
| Contribution difference                 | -             | -          | -            | 13,946,167     | 13,946,167     |
|   | \$ 38,103,598 | \$ 441,599 | \$ 1,558,863 | \$ 738,242,319 | \$ 778,346,379 |

**Recognition of Deferred Outflows and Inflows by Employer**

The following table shows the net amount of deferred outflows and inflows to be recognized by each participating employer in each of the next five years and the total thereafter.

| <b>Schedule of Employer's Recognition of Deferred Outflows and Inflows</b> |                        |                   |                     |                         |                         |
|--|------------------------|-------------------|---------------------|-------------------------|-------------------------|
| <b>For Year ending</b>   | <b>PPA</b>             | <b>PMA</b>        | <b>PHDC</b>         | <b>CITY</b>             | <b>Total</b>            |
| 2022   | \$ (7,013,096)         | \$ 217,499        | \$ 45,318           | \$ (133,476,159)        | \$ (140,226,438)        |
| 2023   | (6,833,679)            | 225,473           | 69,240              | (120,397,333)           | (126,936,299)           |
| 2024   | (6,899,724)            | 67,117            | 6,351               | (153,791,231)           | (160,617,487)           |
| 2025   | (3,856,871)            | 1,883             | (257,514)           | (226,920,461)           | (231,032,963)           |
| 2026   | -                      | -                 | -                   | -                       | -                       |
| Thereafter   | -                      | -                 | -                   | -                       | -                       |
| Total  | <u>\$ (24,603,370)</u> | <u>\$ 511,972</u> | <u>\$ (136,605)</u> | <u>\$ (634,585,184)</u> | <u>\$ (658,813,187)</u> |

**(2) Philadelphia Gas Works (PGW) Plan**

**a. PLAN DESCRIPTION**

The City of Philadelphia (the "City") maintains two pension systems providing benefits for its employees and several of its component units: The City's pension system includes the Municipal Pension (the "Fund") and the Gas Works Plan (the "Plan"). Each pension system is a separate Public Employee Retirement System ("PERS") with a separate oversight body and is financially independent of the other. In each case, the City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system.

There are no component units of the Plan. In determining its oversight responsibility, the Plan considers financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability of fiscal matters.

The Plan consists of Philadelphia Gas Works ("PGW" or the "Company"), a component unit of the City and is included in the City's Annual Comprehensive Financial Report as a fiduciary fund

The Plan is a single employer defined benefit PERS. The Plan provides pension benefits for all eligible employees of Philadelphia Gas Works, and other eligible class employees of Philadelphia Facilities Management Corporation (PFMC) and Philadelphia Gas Commission (PGC).

The Plan is administered by the Sinking Fund Commission of the City of Philadelphia (the "Commission"). The Commission is responsible for the administration of the Plan. Certain administrative aspects of the Plan are delegated to PGW. The Commission acts in a fiduciary matter with regards to the assets of the Plan. The Commission was established by the City Charter and consists of the Director of Finance, the City Controller and an experienced banker or investment banker appointed by the Mayor. Alternates for these members are allowed by written authorization of the Mayor.

As of the latest available actuarial valuation (June 30, 2021), the Plan's membership consisted of:

|                                |               |
|--------------------------------|---------------|
| Active participants            | 1,116         |
| Retired participants           | 2,195         |
| Vested terminated participants | 309           |
| Total plan participants        | <u>3,620</u>  |
| Total Payroll                  | \$ 97,959,399 |
| Average pay                    | 87,777        |

The Plan is currently open to all employees of PGW.

**b. BENEFITS PROVIDED**

*Normal Retirement Benefits:* The Plan provides retirement benefits as well as death and disability benefits. Retirement benefits are vested after 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

- 1.25 percent of the first \$6,600 of Final Average Earnings plus 1.75 percent of the excess of Final Average Earnings over \$6,600, times years of credited service, with a maximum of 60 percent of the highest annual earnings during the last 10 years of credited service, applicable to all participants; or,
- 2 percent of total earnings received during the period of credited service plus 22.5 percent of the first \$1,200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

Final Average Earnings are the employees' average pay, over the highest five years of the last ten years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

*Contributions:* In December 2011, the City of Philadelphia City Council approved Bill No. 110830 "An Ordinance" effecting PGW workers hired on or after May 21, 2011. The ordinance states, in part, that employees commencing employment on or after May 21, 2011 shall become a participant in the Plan only upon completion of an irrevocable written election to participate in the Plan. Such election must be made within thirty days after their employment commencement date, or if later, thirty days after the effective date of the ordinance. All such employees who elect to participate in the Plan are deemed contributing participants.

Contributing participants (Non-covered employees) in the Plan are required to make annual contributions totaling 6% of their compensation. Such contributions are made by means of periodic payroll deductions determined by the Company. Contributing participants are 100% vested in their employee contributions. All participants in the Plan, including contributing participants, have no vested interest in their accrued benefit from the Plan sponsor until they have 5 years of credited service, at which time they become 100% vested in their accrued benefit. Contributions from contributing participants for the Plan year ended June 30, 2021 totaled \$1,607,217.

In addition, newly hired employees who commence employment on or after May 21, 2011 who opt out of the Plan will enter into the newly formed Philadelphia Gas Works Employees' Defined Contribution Plan, a tax qualified defined contribution plan pursuant to Section 401(a) of the Internal Revenue Code of 1986 as amended. The defined-contribution plan provides for an employer contribution equal to 5.5% of applicable wages. Assets of this plan are not a part of the City of Philadelphia Gas Works Retirement Reserve Fund and are not reported in these financial statements.

*Funding Policy:* The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contributions rates are determined using the Projected Unit Credit actuarial funding method. The most recent annual actuarial valuation is as of June 30, 2021 and the contribution rate as a percentage of payroll was 30.35%.

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Benefits under the Plan are guaranteed by statute. In the event employer contributions are not sufficient to pay required benefits, the City's General fund must provide any shortfall.

**c. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Plan financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. The pension benefits are paid monthly and recorded as paid. As a result, there are no pension benefits payable on June 30, 2021.

**Method Used to Value Investments**

The Plan reports investments at their fair value in the statement of fiduciary net position. Unrealized gains and losses are included in the statement of changes in fiduciary net position. Securities traded on national or international exchanges are recorded at the last reported sales price at current exchange rates.

Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Net realized gains on sales amounted to \$18,777,734 for the year ended June 30, 2021. Net unrealized gain for the year ended June 30, 2021 totaled \$125,014,136.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**Due From and To Brokers**

Due from brokers represents the value of investments sold by brokers prior to year-end, for which the settlement date of the sale occurred after year end. Similarly, due to brokers represents the value of investments purchased by brokers prior to year-end, for which the settlement date of the purchase occurred after year end.

**Fair Value of Financial Instruments**

The carrying values of financial instruments including interest and dividends receivable, due from brokers, accounts payable, and amounts due to PGW and brokers approximate their fair market value due to the relatively short maturity of these instruments.

**Investment Advisors**

The Fund utilizes numerous investment advisors to manage debt and equity portfolios. The Sinking Fund Commission must approve all investment advisors.

**Income Taxes**

The Plan is not subject to Federal, state, or local income taxes.

**Trend Information**

Historical trend information related to the Plan is presented in the Supplemental Information section. The information is presented to enable the reader to assess the progress made by the Plan in accumulating sufficient assets to pay pension benefits as they become due.

**Related Parties**

The Sinking Fund Commission is the trustee of the Plan. The City of Philadelphia Department of Finance provides bookkeeping services for the Plan. Philadelphia Gas Works makes monthly benefit payments to retirees on behalf of the Plan and incurs administrative expenses on behalf of the Plan. Benefit payments made by PGW and administrative costs incurred by PGW on behalf of the Plan amounted to \$56,646,522 and \$217,352, respectively for the year ended June 30, 2021.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on June 30, 2021, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those estimates. Significant estimates include the valuation of investments without quoted prices in an active market for identical assets and the actuarial estimates for Plan future benefit obligations.

**Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would be material to the financial statements.

**Cash Deposits, Investments, and Securities Lending**

The Plan is authorized to maintain a diversified portfolio in the following types of investments: U.S. Treasury or agency obligations, corporate debt and equity securities, and foreign debt and equity securities. City ordinances and sinking fund policies contain provisions which preclude the Plan from investing in organizations that conduct business in certain countries and industries and impose limitations on the amounts invested in certain types of securities.



*Investments:* The Commission maintains a Statement of Investment Guidelines ("Policy") consistent with the needs of the Plan. The latest Policy was approved by the Commission at its meeting on November 25, 2019. The Policy serves as the chief communication tool of the Commission with vendors and investment managers. The Policy defines the need for the Policy, the investment goals of the Plan, the asset allocation, the investment guidelines, including prohibited investments, as well as the objectives for each manager and benchmarks for each type of investment. Additionally, it defines the necessary communication and responsibilities of each party, including the Commission, the investment managers, the custodian, and any consultants. The Policy can only be revised or changed by a vote by the Commission.

For a more complete description of the Policy, see the online version at:  
<http://www.phila.gov/Treasurer/Documents/PGWPP.pdf>.

The Pension Plan utilizes both equity and fixed-income investments consistent with the Policy as described above. As of June 30, 2021, the Plan had investments of approximately \$655 million, comprised of \$480 million in equities and \$175 million in fixed-income investments. The ratio of equities to fixed income is 73% to 27%, which is in line with the Policy guidelines of 45-75% equities and 25-45% fixed income.

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of investment expense was 29.59%.

The Commission employs third-party vendors to manage the assets of the Plan as well as perform other needed services. As of June 30, 2021, the Commission employed the following investment managers and vendors:

| Manager                       | Mandate                    | Balance (Millions) |
|-------------------------------|----------------------------|--------------------|
| <u>Equity Managers</u>        |                            |                    |
| RhumbLine Asset Management    | Domestic Large Cap Index   | \$ 148.1           |
| RhumbLine International       | International Markets      | 46.9               |
| PineBridge Investments        | Domestic Large Cap Index   | 83.8               |
| Northern Trust Company        | Domestic Large Cap Index   | 39.7               |
| Acadian Asset Management      | International Markets      | 50.0               |
| Earnest Partners, LLC         | International Markets      | 46.5               |
| Copeland Capital Management   | Domestic and International | 32.5               |
| Rhumblin Small CAP            | Domestic Small Cap Index   | <u>32.6</u>        |
|                               |                            | 480.1              |
| <u>Bond Managers</u>          |                            |                    |
| Weaver Barksdale              | Core                       | 51.8               |
| Met Life Inc                  | Investment Grade           | 18.5               |
| Met Life Inc                  | Core                       | 48.3               |
| Garcia Hamilton               | Intermediate               | 40.7               |
| Sky Harbor Capital Management | High Yield                 | <u>15.2</u>        |
|                               |                            | <u>174.5</u>       |
| Total                         |                            | <u>\$ 654.6</u>    |

At its quarterly meetings, the Commission, with the assistance of PFM Asset Management LLC, monitors the performance of the investment managers over various periods of time and will change a manager when the Commission deems it necessary. Each of the managers and other vendors (except for those marked 'fund') are contracted for a period of one year, with one-year extensions at the discretion of the Commission.

### Interest Rate Risk

Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes. The Plan's fixed income investments are as follows:

|                       | Total<br>Fair Value   | Below 1<br>Year   | 1 to 5 years         | 5 to 10 years        | 10 years<br>and over |
|-----------------------|-----------------------|-------------------|----------------------|----------------------|----------------------|
| U.S. Govt. Treasuries | \$ 48,007,370         | \$ -              | \$ 32,598,056        | \$ 8,885,408         | \$ 6,523,906         |
| U.S. Govt. Agencies   | 40,988,454            | -                 | 1,416,079            | 1,303,623            | 38,268,752           |
| Municipal Bonds       | 497,676               | -                 | 143,100              | -                    | 354,576              |
| Corporate Bonds       | 74,355,511            | 250,949           | 25,691,304           | 28,075,061           | 20,338,197           |
| Foreign Bonds         | 10,656,306            | 166,792           | 3,592,064            | 3,294,076            | 3,603,374            |
|                       | <u>\$ 174,505,317</u> | <u>\$ 417,741</u> | <u>\$ 63,440,603</u> | <u>\$ 41,558,168</u> | <u>\$ 69,088,805</u> |

### Custodial Credit Risk

In the event of counter-party failure, the Plan may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department, are uninsured and are not registered in the name of the Plan. The Plan requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Plan. Certain investments may be held by the managers in the Plan's name.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Fund's rated debt investments as of June 30, 2021 were rated by Standard and Poor's ("S&P"), a nationally recognized statistical rating agency, and are presented below using S&P's rating scale:

| S&P<br>Credit<br>Rating | U.S.<br>Government<br>Treasuries | U.S.<br>Government<br>Agency<br>Securities | Municipal<br>Obligations | Corporate<br>Bonds   | Foreign<br>Bonds     | Total Fair<br>Value   |
|-------------------------|----------------------------------|--|--------------------------|----------------------|----------------------|-----------------------|
| AAA                     | \$ -                             | \$ -                                       | \$ -                     | \$ 77,802            | \$ 45,620            | \$ 123,422            |
| AA+                     | 48,007,370                       | 40,988,454                                 | 354,576                  | 64,934,240           | 9,592,999            | 163,877,639           |
| AA-                     | -                                | -  | -                        | 1,098,931            | -                    | 1,098,931             |
| A+                      | -                                | -  | -                        | 156,274              | -                    | 156,274               |
| A                       | -                                | -  | -                        | 810,396              | -                    | 810,396               |
| A-                      | -                                | -  | -                        | 2,776,430            | -                    | 2,776,430             |
| BBB+                    | -                                | -  | -                        | 1,423,241            | 521,105              | 1,944,346             |
| BBB                     | -                                | -  | -                        | 1,423,969            | 234,207              | 1,658,176             |
| BBB-                    | -                                | -  | 143,100                  | 747,280              | 54,875               | 945,255               |
| BB+                     | -                                | -  | -                        | 263,198              | -                    | 263,198               |
| CCC+                    | -                                | -  | -                        | 524,325              | -                    | 524,325               |
| NR/NA                   | -                                | -  | -                        | 119,425              | 207,500              | 326,925               |
|                         | <u>\$ 48,007,370</u>             | <u>\$ 40,988,454</u>                       | <u>\$ 497,676</u>        | <u>\$ 74,355,511</u> | <u>\$ 10,656,306</u> | <u>\$ 174,505,317</u> |

### Concentration of Credit Risk

Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2021, no single investment not guaranteed by the U.S. government exceeds 5% of the Plan's net fiduciary financial position.

### Securities Lending Program

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized US Bank to act as the Fund's agent in lending the Fund's securities to approved borrowers. US Bank, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, US Bank lent, on behalf of the Fund, certain securities of the Fund held by US Bank as custodian and received cash collateral. US Bank does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, US Bank had an obligation to indemnify the Fund in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed account based upon the investment guidelines established by the Fund. As of June 30, 2021, the weighted average maturity was 26 days, and the final maturity was 397 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2021, the Fund had no credit risk exposure to borrowers because all borrowers were required to deliver collateral for each loan.

As of June 30, 2021, the fair value of securities on loan was \$27.3 million. Associated collateral totaling \$28.1 million was comprised of cash which was invested in a separately managed account based upon the investment guidelines established by the Pension Fund. As of June 30, 2021, the invested cash collateral was \$28.1 million and is valued at amortized cost.

**d. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

The accounting pronouncement on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. Such inputs include quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value is the amount that the Fund can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges or securities pricing services. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on similar sales.

For private market investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership's most recent available financial information. Some of the investment values provided in the report are estimates due to a lag in reporting for private market investments.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2021:

|                            | Level 1               | Level 2               | Level 3         | Total                 |
|----------------------------|-----------------------|-----------------------|-----------------|-----------------------|
| Corporate bonds            | \$ -                  | \$ 74,355,511         | \$ -            | \$ 74,355,511         |
| Common and preferred stock | 479,269,358           | 770                   | 2,480           | 479,272,608           |
| U.S. government securities | 48,007,371            | 40,988,453            | -               | 88,995,824            |
| Foreign bonds              | -                     | 10,656,306            | -               | 10,656,306            |
| Municipal obligations      | -                     | 497,676               | -               | 497,676               |
| Mutual funds               | 838,487               | -                     | -               | 838,487               |
|                            | <u>\$ 528,115,216</u> | <u>\$ 126,498,716</u> | <u>\$ 2,480</u> | <u>\$ 654,616,412</u> |

**e. ADVANCE FROM THE PHILADELPHIA GAS WORKS**

Payments to beneficiaries are made by PGW through its payroll system. The amount due to PGW on June 30, 2021 of \$135,577 represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of the Company's required contribution, and reimbursements received from the Plan. Such amount will be settled in the subsequent Plan year.

**f. NET PENSION LIABILITY**

The components of the net pension liability of the City of Philadelphia Gas Works Retirement Reserve Fund on June 30, 2021, were as follows:

|                             |                   |
|-----------------------------|-------------------|
| Total pension liability     | \$ 811,758        |
| Plan fiduciary net position | 673,542           |
| Net pension liability       | <u>\$ 138,216</u> |

|  |        |
|--|--------|
| Plan fiduciary net position as a percentage of<br>of the total pension liability | 82.97% |
|--|--------|

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions:

|                            |  |
|----------------------------|--|
| Salary increases:          | Salaries are assumed to increase by an amount based on years of service. |
| General inflation:         | 2%   |
| Investment rate of return: | 7.00%, net of pension plan investment expense, including inflation       |

Mortality rates were based on the Pri-2012 mortality table projected generationally from the central year using Scale MP-2020.

**Change in Assumptions**

The total pension liability reflects an increase of approximately \$22.9 million as a result of changes in actuarial assumptions for the Plan year ended June 30, 2021. The increase is primarily driven from the change in assumed interest rate and demographic changes. The interest rate was lowered from 7.30% to 7.00% for the plan year ended June 30, 2021. The mortality table was changed from the RP-2014 mortality table generationally projected with Scale MP-2018 to the Pri-2012 Mortality Table projected generationally from the central year using Scale MP-2020 to better reflect actual and future mortality experience.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.30% for June 30, 2020 and 7.00% for June 30, 2021. The projection of cash flows used to determine the discount rate assumed the contributions from Plan members will be made at the current contribution rate and that contributions from PGW will be made based on the current, actuarially determined funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability. The net pension liability as of June 30, 2021 is calculated using the discount rate of 7.00%, as well as the Plan's net pension liability if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate (dollar amounts in thousands):

|                             | 1% Decrease<br>6.00% | Current Rate<br>7.00% | 1% Increase<br>8.00% |
|-----------------------------|----------------------|-----------------------|----------------------|
| Total Pension Liability     | \$ 898,564           | \$ 811,758            | \$ 738,301           |
| Plan Fiduciary Net Position | 673,542              | 673,542               | 673,542              |
| Net Pension Liability       | \$ 225,022           | \$ 138,216            | \$ 64,759            |

**Subsequent Events**

The Plan has evaluated subsequent events occurring after the statement of fiduciary net position through the date of January 25, 2022, which is the date the financial statements were available to be issued.

Based on this evaluation, the Plan has determined no subsequent event has occurred which requires disclosure in the financial statements.

**B. DISCRETELY PRESENTED COMPONENT UNITS**

**(1) Philadelphia Gas Works**

**a. Plan Description**

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

**b. Benefits Provided**

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided

**c. Employees Covered by Benefit Terms**

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

**d. Contributions**

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided - Funding Policy and Employee Contributions

**e. Net Pension Liability**

PGW's net pension liability as of August 31, 2021 and 2020 was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and June 30, 2020, respectively.

The total pension liability was determined using the entry age normal actuarial method and the following actuarial assumptions:

|                           | 2021   | 2020   |
|---------------------------|--------|--------|
| Inflation                 | 2.00 % | 2.00 % |
| Investment rate of return | 7.00   | 7.30   |
| Salary increases:         |        |        |
| Years of service          |        |        |
| —                         | 8.86   | 8.86   |
| 1                         | 8.59   | 8.59   |
| 2                         | 8.31   | 8.31   |
| 3                         | 8.04   | 8.04   |
| 4                         | 7.77   | 7.77   |
| 5                         | 7.49   | 7.49   |
| 6                         | 7.22   | 7.22   |
| 7                         | 6.94   | 6.94   |
| 8                         | 6.67   | 6.67   |
| 9                         | 6.39   | 6.39   |
| 10                        | 6.12   | 6.12   |
| 11                        | 5.84   | 5.84   |
| 12                        | 5.57   | 5.57   |
| 13                        | 5.29   | 5.29   |
| 14                        | 5.02   | 5.02   |
| 15                        | 4.74   | 4.74   |
| 16                        | 4.54   | 4.54   |
| 17                        | 4.33   | 4.33   |
| 18                        | 4.12   | 4.12   |
| 19                        | 3.91   | 3.91   |
| 20 or more                | 3.71   | 3.71   |

**Mortality rates.** Mortality rates for FY 2021 were based on the Pri-2012 mortality tables projected generationally from the central year using Scale MP-2020. The mortality rates for FY 2021 reflect the Pri-2012 employees and healthy annuitants, disabled retirees, and contingent survivor mortality tables as appropriate projected generationally from the central year using Scale MP-2020 as published by the Society of Actuaries. Mortality rates for FY 2020 were based on the Pri-2012 mortality tables projected generationally from the central year using Scale MP-2020. Plan specific mortality data is not applied due to the size of the plan in producing credible mortality data.

**Long-term rate of return.** The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for FY 2021 are summarized in the following table:

| Asset class          | Minimum | Maximum | Target  | Expected annual return |
|----------------------|---------|---------|---------|------------------------|
| Domestic equity      | 35.0 %  | 55.0 %  | 41.5 %  | 8.8 %                  |
| International equity | 10.0    | 30.0    | 18.5    | 9.1                    |
| Fixed income         | 25.0    | 45.0    | 32.5    | 3.9                    |
| Alternatives         | —       | 10.0    | 7.5     | —                      |
| Cash equivalents     | —       | 10.0    | —       | —                      |
|                      |         |         | 100.0 % |                        |

*Discount rate.* The discount rate used to measure the total pension liability at June 30, 2021 and 2020 was 7.0% and 7.3%, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Company contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee contributions. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

(Thousands of U.S. dollars)

|   | Increase (decrease)         |                                 |                               |
|---|-----------------------------|---------------------------------|-------------------------------|
|   | Total pension liability (a) | Plan fiduciary net position (b) | Net pension liability (a)-(b) |
| Balances at September 1, 2020                                 | \$ 780,793                  | 543,231                         | 237,562                       |
| Changes for the year:   |                             |                                 |                               |
| Service cost  | 7,178                       | —                               | 7,178                         |
| Interest  | 55,454                      | —                               | 55,454                        |
| Differences between expected and actual experience            | 2,057                       | —                               | 2,057                         |
| Contributions – employer                                      | —                           | 29,728                          | (29,728)                      |
| Contributions – employee                                      | —                           | 1,607                           | (1,607)                       |
| Net investment income   | —                           | 155,841                         | (155,841)                     |
| Benefit payments, including refunds of employee contributions | (56,647)                    | (56,647)                        | —                             |
| Administrative expenses                                       | —                           | (217)                           | 217                           |
| Change in assumptions   | 22,924                      | —                               | 22,924                        |
| Net changes   | 30,966                      | 130,312                         | (99,346)                      |
| Balances at August 31, 2021                                   | \$ 811,759                  | 673,543                         | 138,216                       |

**Changes in Net Pension Liability**

(Thousands of U.S. dollars)

|   | Increase (decrease)         |                                 |                               |
|---|-----------------------------|---------------------------------|-------------------------------|
|   | Total pension liability (a) | Plan fiduciary net position (b) | Net pension liability (a)-(b) |
| Balances at September 1, 2019                                 | \$ 800,486                  | 553,240                         | 247,246                       |
| Changes for the year:   |                             |                                 |                               |
| Service cost  | 6,400                       | —                               | 6,400                         |
| Interest  | 56,893                      | —                               | 56,893                        |
| Differences between expected and actual experience            | (3,034)                     | —                               | (3,034)                       |
| Contributions – employer                                      | —                           | 29,414                          | (29,414)                      |
| Contributions – employee                                      | —                           | 1,520                           | (1,520)                       |
| Net investment income   | —                           | 14,286                          | (14,286)                      |
| Benefit payments, including refunds of employee contributions | (55,061)                    | (55,061)                        | —                             |
| Administrative expenses                                       | —                           | (168)                           | 168                           |
| Change in assumptions   | (24,891)                    | —                               | (24,891)                      |
| Net changes   | (19,693)                    | (10,009)                        | (9,684)                       |
| Balances at August 31, 2020                                   | \$ 780,793                  | 543,231                         | 237,562                       |

*Sensitivity of the net pension liability to changes in the discount rate:*

The following table presents the net pension liability of the Company at June 30, 2021, calculated using the discount rate of 7.00%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage point higher (8.00%) than the current rate:

|                       | 1% Decrease<br>6.00%        | Current<br>discount rate<br>7.00% | 1% Increase<br>8.00% |
|-----------------------|-----------------------------|-----------------------------------|----------------------|
|                       | (Thousands of U.S. dollars) |                                   |                      |
| Net pension liability | \$ 225,022                  | 138,216                           | 64,759               |

*Pension Plan fiduciary net position.* Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report.

**f. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the years ended August 31, 2021 and 2020, the Company recognized pension expense of (\$3.1) million and \$19.5 million, respectively. At August 31, 2021 and 2020, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (thousands of U.S. dollars):

|   | August 31, 2021                      |                                     | August 31, 2020                      |                                     |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|   | Deferred<br>outflows of<br>resources | Deferred<br>inflows of<br>resources | Deferred<br>outflows of<br>resources | Deferred<br>inflows of<br>resources |
| Differences between<br>expected and actual<br>experience                                  | \$ 1,493                             | 4,111                               | 3,499                                | 8,047                               |
| Changes of assumptions  | 16,643                               | 12,230                              | —                                    | 20,100                              |
| Net difference between<br>projected and actual<br>earnings on pension<br>plan investments | —                                    | 78,173                              | 14,742                               | —                                   |
| Contributions made after<br>measurement date  | 6,439                                | —                                   | 6,167                                | —                                   |
| Total   | \$ 24,575                            | 94,514                              | 24,408                               | 28,147                              |

The \$6.4 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2021 will be recognized as a reduction of the net pension liability in the Company's FY 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (thousands of U.S. dollars):

|              |             |
|--------------|-------------|
| Fiscal year: |             |
| 2022         | \$ (22,451) |
| 2023         | (16,571)    |
| 2024         | (13,932)    |
| 2025         | (23,424)    |



**g. Fair Value Measurements**

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – d. Disclosures About Fair Value of Financial Instruments.

**(2) School District of Philadelphia**

**a. Plan Description**

Public School Employees' Retirement System (the System) is a governmental cost-sharing multiple-employer defined benefit plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSRS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**b. Benefits provided:**

The System provides retirement and disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes- (1) Membership Class T-E (Class T-E) and (2) Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Code (Code) of multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and T-F members) or who has at least five years of credited services (ten years for Class T-E and T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**c. Contributions**

Members Contributions:

Active members who joined prior to July 22, 1983, contribute at 5.25 % (Membership Class T-C) or at 6.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute at 6.25 % (Membership Class T-C) or 7.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50 % (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer's Contributions:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2021 was 33.69% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District made a combined total of \$377.3 million to PSERS and VOYA (the sponsor of the Defined Contribution vendor) for the year ended June 30, 2021.

Commonwealth Contributions:

The Commonwealth reimburses the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market/personal income aid ratio for Fiscal Year 2021 was 75.98%.

**d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

- (a) At June 30, 2021, the District reported a liability of \$3,790.6 million for its proportionate share of the net pension liability of which \$3,734.1 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the System's total one-year reported covered payroll. At June 30, 2020, the District's proportion was 7.6983 percent, which was a decrease of .0641 percent from its proportion measured as of June 30, 2019.
- (b) For the year ended June 30, 2021, the District recognized net pension expense of \$83,898.8 thousand of which \$82,648.4 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$241.9 thousand was under the Business-type Activity section of the Government-wide Statements.
- (c) At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <i>(Dollars in Thousands)</i>     |                                  |
|--|-----------------------------------|----------------------------------|
|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
| Difference between expected and actual experience  | \$ 9,916.0                        | \$ (90,850.0)                    |
| Change in assumption   | 166,590.0                         | -                                |
| Net difference between projected and actual investment earnings                          | -                                 | -                                |
| Change in proportions  | 107,037.0                         | (16,744.0)                       |
| Difference between employer contributions and proportionate share of total contributions | 1,059.1                           | (830.4)                          |
| Contributions subsequent to the measurement date   | 377,283.1                         | -                                |
|  | <u>\$ 661,885.2</u>               | <u>\$ (108,424.4)</u>            |

Deferred outflows of resources for contributions made subsequent to the measurement date was \$377,283.1 thousand and will be recognized as a reduction of net pension liability/collective net pension liability in the next fiscal period.

The remaining deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

*(Dollars in Thousands)*

| Year ended<br>June 30 | Deferred Outflows<br>of Resources | Deferred inflows<br>of Resources | Net Deferred<br>Outflows and<br>Inflows of<br>Resources |
|-----------------------|-----------------------------------|----------------------------------|---|
| 2021                  | \$ 102,668.7                      | \$ (39,113.5)                    | \$ 63,555.2   |
| 2022                  | 9,752.0                           | (3,715.2)                        | 6,036.8   |
| 2023                  | 92,130.5                          | (35,098.8)                       | 57,031.7  |
| 2024                  | 80,050.9                          | (30,496.9)                       | 49,554.0  |
| Total                 | <u>\$ 284,602.1</u>               | <u>\$ (108,424.4)</u>            | <u>\$ 176,177.7</u>                                     |

Of the \$176,177.7 thousand reported as net deferred outflows, \$173,551.5 thousand was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at \$2,549.2 thousand and \$77.0 thousand, respectively.

#### Actuarial assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return - 7.25% includes inflation at 2.75%.
- Salary growth - Effective average of 5.00% comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

*Investments:* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

| Asset Class          | Target<br>Allocation | Long-term<br>Expected Real<br>Rate of Return |
|----------------------|----------------------|--|
| Global public equity | 15.0%                | 5.2%   |
| Private equity       | 15.0%                | 7.2%   |
| Fixed income         | 36.0%                | 1.1%   |
| Commodities          | 8.0%                 | 1.8%   |
| Absolute return      | 10.0%                | 2.5%   |
| Risk parity          | 8.0%                 | 3.3%   |
| Infrastructure/ MLPs | 6.0%                 | 5.7%   |
| Real estate          | 10.0%                | 5.5%   |
| Cash                 | 6.0%                 | -1.0%  |
| Financing (LIBOR)    | -14.0%               | -0.7%  |
|                      | <u>100.0%</u>        |  |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 1.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount rate:** The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**e. Sensitivity of the District's proportionate share of the net pension to changes in the discount rate:**

The following presents the net liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

|  | <i>(Dollars in Thousands)</i> |                        |                      |
|--|-------------------------------|------------------------|----------------------|
|  | 1% Decrease<br>6.25%          | Discount Rate<br>7.25% | 1% Increase<br>8.25% |
| District's proportionate share<br>of net pension liability | \$ 4,689,733                  | \$ 3,790,567           | \$ 3,028,848         |

**f. Pension plan fiduciary net position:**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

## 2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. SDP employees have an unlimited maximum accumulation, and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 60% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave.

## 3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

### A. PRIMARY GOVERNMENT

**Plan description:** The City of Philadelphia self-administers a single employer, defined benefit plan that provides OPEB for all eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**Benefits provided:** The City of Philadelphia subsidizes health care for five years from the time of coverage election for eligible retirees. Certain union represented employees may defer their coverage until a later date, but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to \$7,500 coverage and all other employees receive \$6,000 in coverage. The plan does not issue stand-alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

**Funding Policy:** The City's funding policy is to pay the net expected benefits for the current retirees. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self-insured for non-union employees. The City's contributions are estimated to be about \$97.8 million for fiscal year ending June 30, 2021.

**Employees covered by benefit terms:** At July 1, 2020, the following employees were covered by the benefit terms:

| <u>Medical Coverage:</u>  |        |
|---|--------|
| Inactive employees or beneficiaries currently receiving medical coverage        | 3,054  |
| DROPS with medical coverage   | 1,640  |
| Inactive employees entitled to, but not yet receiving medical coverage          | 423    |
| Active employees  | 28,889 |
| Total   | 34,006 |
| <u>Life Insurance Coverage</u>  |        |
| Inactive employees or beneficiaries currently receiving life insurance coverage | 27,416 |
| Active employees  | 28,889 |
| Total   | 56,305 |

**Total OPEB Liability:**

The City's total OPEB liability reported as of June 30, 2021 of \$2,087,200,000, was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

**Actuarial assumptions and other inputs.**

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

**Measurement Date:** June 30, 2020, for reporting date June 30, 2021  
June 30, 2019, for reporting date June 30, 2020

**Discount rate:**

- 2.21% per annum for the valuation measured as of June 30, 2020
- 3.50% per annum for the valuation measured as of June 30, 2019

**Salary Increase Rate:**

| Age  | Municipal and<br>Elected Officials | Uniformed |
|------|------------------------------------|-----------|
| <20  | 20.00%                             | 20.00%    |
| 20   | 18.00%                             | 11.00%    |
| 25   | 10.00%                             | 7.00%     |
| 30   | 7.00%                              | 5.00%     |
| 35   | 5.75%                              | 4.25%     |
| 40   | 5.00%                              | 4.00%     |
| 45   | 4.60%                              | 3.50%     |
| 50   | 4.35%                              | 3.30%     |
| 55   | 4.10%                              | 3.00%     |
| 60   | 3.85%                              | 3.00%     |
| 65 + | 3.50%                              | 2.75%     |

**Per Person Cost Trends:**

The trend rates represent the annual rate of increase in employer claim payments, employer premiums (including those paid to union-sponsored plans), and retiree contributions.

| To Year<br>Beginning<br>July 1 | <u>Medical</u> |                   | <u>Rx</u>    |                   | <u>Medical/Rx combined</u> |                   |
|--------------------------------|----------------|-------------------|--------------|-------------------|----------------------------|-------------------|
|                                | Pre-Medicare   | Medicare Eligible | Pre-Medicare | Medicare Eligible | Pre-Medicare               | Medicare Eligible |
| 2021                           | 8.50%          | 6.00%             | 9.00%        | 8.00%             | 8.60%                      | 7.20%             |
| 2022                           | 8.00%          | 5.75%             | 8.75%        | 7.75%             | 8.15%                      | 6.95%             |
| 2023                           | 7.50%          | 5.50%             | 8.50%        | 7.50%             | 7.70%                      | 6.70%             |
| 2024                           | 7.00%          | 5.25%             | 8.25%        | 7.25%             | 7.25%                      | 6.45%             |
| 2025                           | 6.61%          | 5.15%             | 7.65%        | 6.82%             | 6.82%                      | 6.15%             |
| 2026                           | 6.22%          | 5.06%             | 7.06%        | 6.39%             | 6.39%                      | 5.86%             |
| 2027                           | 5.83%          | 4.96%             | 6.46%        | 5.96%             | 5.96%                      | 5.56%             |
| 2028                           | 5.45%          | 4.86%             | 5.86%        | 5.53%             | 5.53%                      | 5.26%             |
| 2029                           | 5.06%          | 4.77%             | 5.27%        | 5.10%             | 5.10%                      | 4.97%             |
| 2030                           | 4.67%          | 4.67%             | 4.67%        | 4.67%             | 4.67%                      | 4.67%             |
| 2031                           | 4.10%          | 4.10%             | 4.10%        | 4.10%             | 4.10%                      | 4.10%             |
| 2032                           | 3.91%          | 3.91%             | 3.91%        | 3.91%             | 3.91%                      | 3.91%             |
| 2033                           | 3.81%          | 3.81%             | 3.81%        | 3.81%             | 3.81%                      | 3.81%             |
| 2034                           | 3.76%          | 3.76%             | 3.76%        | 3.76%             | 3.76%                      | 3.76%             |
| 2035                           | 3.72%          | 3.72%             | 3.72%        | 3.72%             | 3.72%                      | 3.72%             |
| 2036                           | 3.69%          | 3.69%             | 3.69%        | 3.69%             | 3.69%                      | 3.69%             |
| 2037                           | 3.67%          | 3.67%             | 3.67%        | 3.67%             | 3.67%                      | 3.67%             |
| 2038                           | 3.66%          | 3.66%             | 3.66%        | 3.66%             | 3.66%                      | 3.66%             |
| 2039                           | 3.64%          | 3.64%             | 3.64%        | 3.64%             | 3.64%                      | 3.64%             |
| 2040                           | 3.53%          | 3.53%             | 3.53%        | 3.53%             | 3.53%                      | 3.53%             |
| 2041                           | 3.53%          | 3.53%             | 3.53%        | 3.53%             | 3.53%                      | 3.53%             |
| 2042 +                         | 3.53%          | 3.53%             | 3.53%        | 3.53%             | 3.53%                      | 3.53%             |

Dental and vision costs are assumed to increase at 3% per year.

**Retirees Share of Benefit related costs:**

Percent of Retirees Electing Coverage

Participation rate for medical coverage

- 85% of future retirees from Non-Represented groups are assumed to elect post-retirement medical covers.
- 100% of future retirees from represented groups (DC 33, DC 47, Fire, and Police) are assumed to elect post-retirement medical coverage.
- 100% of DROP participants are assumed to continue in DROP for the remainder of their DROP period (maximum four years) and then retire with a medical benefit.

Participation rate for life insurance

- 95% of current and future retired firefighters who participated in the pension plan are assumed to be covered by City-provided life insurance.
- 87% of all other current and future retired pension plan participants are assumed to be covered by City-provided life insurance.

**Mortality Rates:**

It is assumed deaths of active municipal and elected members, 110% and 115%, for males and females, respectively, follows RP-2014 Employee Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

It is assumed deaths of active uniformed members follow 85% of the RP-2014 Blue Collar Employee Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

For municipal and elected members, 127% and 119% for males and females, respectively, the rate of post-retirement and post-disability mortality follow RP-2014 Healthy Annuitant Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

For uniformed members, the rate of post-retirement and post-disability mortality follow 115% of the RP-2014 Blue Collar Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

For municipal and elected members, the rate of post-disability mortality follows 95% of the RP-2014 Disabled Retiree Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

For uniformed members, the rate of post-disability mortality follows 80% of the RP-2014 Disabled Retiree Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

**Change in the Total OPEB Liability:**

The table below shows the changes in the Total OPEB Liability (TOL), the plan fiduciary net position (i.e., the fair value of Plan assets) (FNP), and the Net OPEB Liability (NOL) during the measurement period ending on June 30, 2020.

| Change in Net OPEB Liability        |                                |                                       |                                    |
|-------------------------------------|--------------------------------|---------------------------------------|------------------------------------|
|                                     | Increase (Decrease)            |                                       |                                    |
|                                     | Total OPEB<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
| <b>Balances at 6/30/2019</b>        | \$ 1,935,300,000               | \$ 0                                  | \$ 1,935,300,000                   |
| <b>Changes for the year:</b>        |                                |                                       |                                    |
| Service cost                        | 93,900,000                     |                                       | 93,900,000                         |
| Interest                            | 69,200,000                     |                                       | 69,200,000                         |
| Changes of benefits                 | 0                              |                                       | 0                                  |
| Differences between expected/actual | 18,100,000                     |                                       | 18,100,000                         |
| Changes of assumptions              | 75,300,000                     |                                       | 75,300,000                         |
| Contributions - employer            |                                | 104,600,000                           | (104,600,000)                      |
| Contributions - non employer        |                                | 0                                     | 0                                  |
| Contributions - member              |                                | 0                                     | 0                                  |
| Net investment income               |                                | 0                                     | 0                                  |
| Benefit payments                    | (104,600,000)                  | (104,600,000)                         | 0                                  |
| Administrative expense              |                                | 0                                     | 0                                  |
| <b>Net changes</b>                  | <u>151,900,000</u>             | <u>0</u>                              | <u>151,900,000</u>                 |
| <b>Balances at 6/30/2020</b>        | <u>\$ 2,087,200,000</u>        | <u>\$ 0</u>                           | <u>\$ 2,087,200,000</u>            |

During the measurement year, the NOL increased by approximately \$151.9 million. The service cost and interest cost increased the NOL by approximately \$163.1 million while contributions decreased the NOL by approximately \$104.6 million. The employer contribution of \$104.6 million is based on a blend of actual contributions provided by the City of Philadelphia and estimated contributions based on the prior report. Because a portion of the contribution is estimated, this was reviewed by the City for reasonability. There was a loss of \$18.1 million due to experience. This is due to the change in population between the June 30, 2018 valuation and the June 30, 2020 valuation.

There were assumption changes, such as the change in the 20-year bond buyer index rate, the change in the medical claims and trend assumptions, and the change in demographic assumptions, that resulted in a loss in the liability of \$75.3 million.

There were no benefit changes during the measurement period.

**Sensitivity of the total OPEB liability to changes in the discount rate:**

The Following represents the total OPEB liability (TOL) of the City, as well as what the City's total liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate.

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL and higher discount rates produce a lower TOL. The table below shows the sensitivity of the NOL to the discount rate.

| Sensitivity of Net OPEB Liability to Changes in Discount Rate              |                         |                           |                         |
|--|-------------------------|---------------------------|-------------------------|
|  | 1%<br>Decrease<br>1.21% | Discount<br>Rate<br>2.21% | 1%<br>Increase<br>3.21% |
| Total OPEB Liability   | \$ 2,257,900,000        | \$ 2,087,200,000          | \$ 1,930,700,000        |
| Plan Fiduciary Net Position  | -                       | -                         | -                       |
| Net OPEB Liability   | <u>\$ 2,257,900,000</u> | <u>\$ 2,087,200,000</u>   | <u>\$ 1,930,700,000</u> |
| Plan Fiduciary Net Position as a<br>Percentage of the Total OPEB Liability | 0.0%                    | 0.0%                      | 0.0%                    |

A one percent decrease in the discount rate increases the TOL and NOL by approximately 8%. A one percent increase in the discount rate decreases the TOL and NOL by approximately 7%.

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.**

The Following represents the total OPEB liability of the City, as well as what the City's total liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Changes in healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the NOL to the healthcare trends.

| Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|
|   | 1%<br>Decrease          | Healthcare<br>Trend     | 1%<br>Increase          |
| Total OPEB Liability  | \$ 1,888,700,000        | \$ 2,087,200,000        | \$ 2,320,900,000        |
| Plan Fiduciary Net Position   | -                       | -                       | -                       |
| Net OPEB Liability  | <u>\$ 1,888,700,000</u> | <u>\$ 2,087,200,000</u> | <u>\$ 2,320,900,000</u> |
| Plan Fiduciary Net Position as a<br>Percentage of the Total OPEB Liability  | 0.0%                    | 0.0%                    | 0.0%                    |

A one percent decrease in the healthcare trends decreases the TOL and NOL by approximately 10%. A one percent increase in the healthcare trend rate increases the TOL and NOL by approximately 11%.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.**

For the year ended June 30, 2021, the City recognized OPEB expense of \$154,300,000. The table below shows the development of OPEB expense.



| Calculation of OPEB Expense                   |                                |                                |
|---|--------------------------------|--------------------------------|
| Fiscal Year Ending<br>Measurement Year Ending | June 30, 2021<br>June 30, 2020 | June 30, 2020<br>June 30, 2019 |
| Change in Net OPEB Liability                  | \$ 151,900,000                 | \$ 111,400,000                 |
| Change in Deferred Outflows                   | (70,700,000)                   | (41,700,000)                   |
| Change in Deferred Inflows                    | (31,500,000)                   | (31,500,000)                   |
| Non Employer Contributions                    | 0                              | 0                              |
| Employer Contributions                        | 104,600,000                    | 96,900,000                     |
| <b>OPEB Expense</b>                           | <b>\$ 154,300,000</b>          | <b>\$ 135,100,000</b>          |
| <b>OPEB Expense as % of Payroll</b>           | <b>8.03%</b>                   | <b>7.33%</b>                   |
| <b>Operating Expenses</b>                     |                                |                                |
| Service cost                                  | \$ 93,900,000                  | \$ 82,400,000                  |
| Employee contributions                        | 0                              | 0                              |
| Administrative expenses                       | 0                              | 0                              |
| <b>Total</b>                                  | <b>\$ 93,900,000</b>           | <b>\$ 82,400,000</b>           |
| <b>Financing Expenses</b>                     |                                |                                |
| Interest cost                                 | \$ 69,200,000                  | \$ 71,900,000                  |
| Expected return on assets                     | 0                              | 0                              |
| <b>Total</b>                                  | <b>\$ 69,200,000</b>           | <b>\$ 71,900,000</b>           |
| <b>Changes</b>                                |                                |                                |
| Benefit changes                               | \$ 0                           | \$ 0                           |
| Recognition of assumption changes             | (17,100,000)                   | (25,500,000)                   |
| Recognition of liability gains and losses     | 8,300,000                      | 6,300,000                      |
| Recognition of investment gains and losses    | 0                              | 0                              |
| <b>Total</b>                                  | <b>\$ (8,800,000)</b>          | <b>\$ (19,200,000)</b>         |
| <b>OPEB Expense</b>                           | <b>\$ 154,300,000</b>          | <b>\$ 135,100,000</b>          |

At June 30, 2021, the City reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

| Schedule of Deferred Inflows and Outflows of Resources as of<br>June 30, 2021 Projected Fiscal Year End<br>June 30, 2020 Measurement Date |                                      |                                  |
|---|--------------------------------------|----------------------------------|
|   | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
| Differences between expected and actual experience  | \$ 54,000,000                        | \$ 0                             |
| Changes in assumptions  | 108,900,000                          | 143,800,000                      |
| Net difference between projected and actual earnings on OPEB plan investments   | 0                                    | 0                                |
| Contributions subsequent to the measurement date  | (97,800,000)                         | 0                                |
| <b>Total</b>  | <b>\$ 65,100,000</b>                 | <b>\$ 143,800,000</b>            |
| Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:                    |                                      |                                  |
| <b>Year ended June 30:</b>  |                                      |                                  |
| 2022  | (8,800,000)                          |                                  |
| 2023  | (8,800,000)                          |                                  |
| 2024  | (8,700,000)                          |                                  |
| 2025  | 6,300,000                            |                                  |
| 2026  | 6,300,000                            |                                  |
| Thereafter  | \$ 32,800,000                        |                                  |

The subsequent contributions after the measurement date are reflected as a deferred outflow, but this is not subject to a deferred recognition period in the OPEB expense. Instead, this will be fully recognized in the OPEB expense for the Fiscal Year ending June 30, 2022.

**Required Supplementary Information:** The schedule below shows the changes in NOL and related ratios required by GASB.

| Schedule of Changes in Net OPEB Liability and Related Ratios            |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Measurement Year Ending   | 6/30/2020        | 6/30/2019        | 6/30/2018        | 6/30/2017        |
| <b>Total OPEB Liability</b>   |                  |                  |                  |                  |
| Service cost (BOY)  | \$ 93,900,000    | \$ 82,400,000    | \$ 81,800,000    | \$ 89,300,000    |
| Interest (includes interest on service cost)                            | 69,200,000       | 71,900,000       | 67,900,000       | 56,100,000       |
| Changes of benefit terms  | 0                | 0                | 0                | 0                |
| Differences between expected and actual experience                      | 18,100,000       | 0                | 56,800,000       | 0                |
| Changes of assumptions  | 75,300,000       | 54,000,000       | (147,800,000)    | (105,600,000)    |
| Benefit payments, including refunds of member contributions             | (104,600,000)    | (96,900,000)     | (96,400,000)     | (114,800,000)    |
| Net change in total OPEB liability                                      | \$ 151,900,000   | \$ 111,400,000   | \$ (37,700,000)  | \$ (75,000,000)  |
| Total OPEB liability - beginning  | 1,935,300,000    | 1,823,900,000    | 1,861,600,000    | 1,936,600,000    |
| Total OPEB liability - ending   | \$ 2,087,200,000 | \$ 1,935,300,000 | \$ 1,823,900,000 | \$ 1,861,600,000 |
| <b>Plan fiduciary net position</b>                                      |                  |                  |                  |                  |
| Contributions - employer  | \$ 104,600,000   | \$ 96,900,000    | \$ 96,400,000    | \$ 114,800,000   |
| Contributions - non-employer  | -                | -                | -                | -                |
| Contributions - member  | -                | -                | -                | -                |
| Net investment income   | -                | -                | -                | -                |
| Benefit payments, including refunds of member contributions             | (104,600,000)    | (96,900,000)     | (96,400,000)     | (114,800,000)    |
| Administrative expense  | -                | -                | -                | -                |
| Net change in plan fiduciary net position                               | \$ -             | \$ -             | \$ -             | \$ -             |
| Plan fiduciary net position - beginning                                 | -                | -                | -                | -                |
| Plan fiduciary net position - ending                                    | \$ -             | \$ -             | \$ -             | \$ -             |
| Net OPEB liability - ending   | \$ 2,087,200,000 | \$ 1,935,300,000 | \$ 1,823,900,000 | \$ 1,861,600,000 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00%            | 0.00%            | 0.00%            | 0.00%            |
| Covered payroll   | \$ 1,921,200,000 | \$ 1,842,600,000 | \$ 1,805,400,000 | \$ 1,744,700,000 |
| Net OPEB liability as a percentage of covered payroll                   | 108.64%          | 105.03%          | 101.02%          | 106.70%          |

The Plan is not currently being pre-funded and so there is no actuarially determined contribution shown below. The actuarially determined contribution is a target or recommended contribution to the OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contributions for the reporting period was adopted. The Actuarial Required Contribution (ARC) determined under GASB 45 is not a recommended contribution under Actuarial Standards of Practice, and thus is not shown below. If the Plan decides to pre-fund the liabilities, we will provide an appropriate actuarially determined contribution.

## B. COMPONENT UNITS

### 1) School District of Philadelphia (SDP) OPEB

The Governmental Accounting Standards Board (GASB) released new accounting standards for public postemployment benefits other than pension (OPEB). The new standards have substantially revised the accounting requirements previously mandated under GASB Statements (GASBS) No. 43 and 45. The most notable change is the elimination of the Annual Required Contribution (ARC) with the Net OPEB liability (Total OPEB liability for unfunded plans), to be recognized on the balance sheets of participating employers. GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning June 15, 2017.

### Life Insurance Benefits

#### Plan Description:

The SDP provides up to \$2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or aged 62 with 10 years of service or 35 years of service regardless of age. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits.

**City of Philadelphia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Exhibit XIII**

An unaudited copy of the single-employer life insurance benefit plan can be obtained by writing to School District of Philadelphia, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

**Funding Policy:**

The **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. Since the District is not prefunding these benefits, no actuarially determined contribution is determined.

Two plan changes were reflected as of June 30, 2020 measurement date. Effective October 1, 2019, the union for active student climate staff became eligible for life insurance benefits. This change increased the total OPEB liability by \$5,720. In addition, the post-retirement life insurance benefit eligibility was clarified for Class T-E and T-F members. This change decreased the total OPEB liability by \$50,598. These changes resulted in a net decrease \$44,878.

There have been no significant changes in the number covered or the type of coverage since that date.

The numbers of eligible participants enrolled to receive such benefits as of June 30, 2020, the effective date of the biennial OPEB valuation, follows.

|          | Number of<br>Employees |
|----------|------------------------|
| Active   | 16,790                 |
| Retirees | 10,332                 |
| Total    | 27,122                 |

**Total OPEB Life Insurance liability:**

At June 30, 2021, the District reported a liability of \$19.9 million for the total OPEB Life Insurance liability, all of which was under the Governmental Activity section of the Government-wide Statements. For the June 30, 2021 reporting date (which is the plan's and/or employer's fiscal year ending date), the "Valuation Date is June 30, 2020." This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2020. This is the date as of which the total OPEB Life Insurance liability was determined.

Our actuary determined the total OPEB Life Insurance liability for the fiscal year ending June 30, 2020 by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below and then was projected forward to the measurement date, if applicable. Covered payroll equals the annualized base pay for active members as of the valuation date.

**Actuarial Methods and Assumptions:**

*Discount Rate:* 3.87 % per annum as of June 30, 2018 to 3.50% as of June 30, 2019 and 2.21% as of June 30, 2020 (Bond Buyer General Obligation 20 year-Tax Exempt Municipal Bond Index, selected by the District).

*Salary Increases:* 3.00 % per year (based on input from District)

*Mortality:* A 50/50 blend of the headcount-weighted Pub-2010 Mortality Tables for teachers (PubT.H-2010) and general employees (PubG.H-2010), projected on a generational basis with Scale MP-2020, with employee rates before retirement and healthy retiree rates after retirement. As a generational table. It reflects mortality improvements both before and after the measurement date. This blend of standard tables published by the Society of Actuaries (SOA) was selected based on the population covered.

Prior to June 30, 2020 measurement date, RPH-2006 Mortality Tables with white-collar adjustments, projected on a generational basis with Scale MP-2017, with employee rates before retirement and healthy annuitant rates after retirement.

*Termination:* Withdrawal rates vary by age and years of service. Illustrative rates are shown below:

| <b><u>If less than 5 Years of Service</u></b> |                    | <b><u>If 5 or more Years of Service</u></b> |                    |
|---|--------------------|---|--------------------|
| <b><u>Years of Service</u></b>                | <b><u>Rate</u></b> | <b><u>Age</u></b>                           | <b><u>Rate</u></b> |
| <1  | 24.49%             | 25  | 24.75%             |
| 1 - 2   | 25.23%             | 30  | 18.01%             |
| 2 - 3   | 16.54%             | 35  | 10.98%             |
| 3 - 4   | 14.07%             | 40  | 7.91%              |
| 4 - 5   | 10.88%             | 45  | 6.71%              |
|   |                    | 50  | 4.03%              |
|   |                    | 55  | 3.81%              |
|   |                    | 60  | 6.40%              |

*Retirement:* Retirement rates are the rates utilized in the June 30, 2019 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 (age 57 for Class T-G members) with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Class T-G members are eligible for superannuation retirement at the earlier of (1) age 67 with 3 years of service or (2) any combination of age and service that totals 97 with at least 35 years of service. Class T-H members are eligible for superannuation retirement at the earlier of age 67 with 3 years of service. For purposes of this valuation, Class DC members were assumed to have the same retirement eligibility as Class T-H members. Sample rates are shown below.

Sample Early Retirement Rates

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 55         | 18.57%      | 18.59%        |
| 60         | 14.42%      | 17.05%        |

Sample Superannuation Retirement Rates

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 55         | 26.59%      | 10.02%        |
| 60         | 30.87%      | 35.77%        |
| 65         | 21.39%      | 22.23%        |
| 70         | 100.00%     | 100.00%       |

*Disability:* None assumed.

*Life Insurance Benefits Claimed:* All life insurance benefits are assumed to be claimed upon the retiree's death.

*Life Insurance Coverage while Employed:* Only active employees who have life insurance coverage as of the valuation date are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.

*Benefits Not Valued:* The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.

*Special Data Adjustments:* PSERS membership class was determined based on the provided date of hire with the District. Service was determined as the elapsed time from the provided date of hire with the District until the date of determination.

**Actuarial Cost Method:**

In accordance with GASBS No. 75, the Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay.

**Changes since Prior Valuation:**

The discount rate has been changed from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020.

| <u>Total OPEB Life Insurance Liability</u> |                             |                        |   |
|--|-----------------------------|------------------------|---|
| <u>Most Recent Measurement Date</u>        | <u>Total OPEB Liability</u> | <u>Covered Payroll</u> | <u>Total OPEB Liability as a % of Covered Payroll</u> |
| 6/30/2020                                  | \$ 19,854,225               | \$ 932,330,112         | 2.13%   |

Other Postemployment Benefits (OPEB) Life Insurance Benefits Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

**Changes in the Total OPEB Life Insurance Liability:**

|  | Increase/(Decrease)<br>Total OPEB Life<br>Insurance Liability |
|--|---|
| Beginning of Year Balance                          | \$ 16,870,466   |
| Changes for the year (2020-2021):                  |   |
| Service Cost                                       | 93,396  |
| Interest on total OPEB Life insurance Liability    | 586,553   |
| Effect of plan changes                             | (44,878)  |
| Effect of economic and demographic gains or losses | (336,025)   |
| Effect of Assumption changes or inputs             | 3,098,690   |
| Benefit Payments                                   | (413,977)   |
| End of Year Balance                                | <u>\$ 19,854,225</u>  |

*Sensitivity of the District's Total OPEB Life Insurance Liability to changes in the discount rate:*

The following presents the total liability, calculated using the discount rate of 2.21%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current rate:

|  | <u>2019-20 Measurement Period</u><br><i>(Dollars in Thousands)</i> |                        |                      |
|--|--|------------------------|----------------------|
|  | 1% Decrease<br>1.21%   | Discount Rate<br>2.21% | 1% Increase<br>3.21% |
| District's Total OPEB Life Insurance Liability | \$ 22,945.6  | \$ 19,854.2            | \$ 17,402.7          |

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred Outflows of<br/>Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|--|---|--|
| Contributions subsequent to the measurement date   | \$ 410.4                                  | \$ -                                     |
| Differences between expected and actual experience | -   | (279.5)                                  |
| Effect of assumptions changes or inputs            | <u>2,868.1</u>                            | <u>(303.8)</u>                           |
|  | <u>\$ 3,278.5</u>                         | <u>\$ (583.3)</u>                        |

\$410.4 thousand reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the next fiscal period. Other amounts of \$2,284.8 thousand reported as deferred outflows of resources and deferred inflows of resources related to OPEB Life Insurance will be recognized in OPEB expense per the schedule below.

*OPEB Expense and Deferred Inflows of Resources Related to OPEB Life Insurance:*

- For the year ended June 30, 2021, the District recognized net OPEB expense of \$853.9 thousand of which all under the Governmental Activity section of the Government-wide Statements.
- The \$2,284.8 thousand reported as net deferred outflows was under the Governmental-Activities column of the Government-wide statements. Amounts currently reported as deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

*(Dollars in Thousands)*

| Year Ended<br>June 30 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Net Deferred<br>Outflows of<br>Resources |
|-----------------------|-----------------------------------|----------------------------------|--|
| 2021                  | \$ 793.1                          | \$ (316.1)                       | \$ 477.0                                 |
| 2022                  | 793.1                             | (136.8)                          | 656.3                                    |
| 2023                  | 712.7                             | (68.5)                           | 644.2                                    |
| 2024                  | 569.2                             | (61.9)                           | 507.3                                    |
| Thereafter            | -                                 | -                                | -  |
| Total                 | \$ 2,868.1                        | \$ (583.3)                       | \$ 2,284.8                               |

**PSERS Other Postemployment Benefits**

Other Postemployment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

- At June 30, 2021, the District reported a liability of \$166.5 million for its proportionate share of the net OPEB liability of which \$163.9 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 7.7048 percent, which was an increase of 0.0706 percent from its proportion measured as of June 30, 2020.
- For the year ended June 30, 2021, the District recognized net OPEB expense of \$1,716.8 thousand of which \$1,690.2 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$26.6 thousand was under the Business-type Activity section of the Government-wide Statements.
- At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <i>(Dollars in Thousands)</i>     |                                  |
|--|-----------------------------------|----------------------------------|
|  | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
| Differences between expected and actual experience                                       | \$ 1,532.0                        | \$ -                             |
| Change in assumption   | 6,784.0                           | (3,653.0)                        |
| Net difference between projected and actual investment earnings                          | 287.0                             | -                                |
| Change in proportions  | 9,964.0                           | (1,071.0)                        |
| Difference between employer contributions and proportionate share of total contributions | 9.8                               | (22.2)                           |
| Contributions subsequent to the measurement date   | 9,182.9                           | -                                |
|  | <u>\$ 27,759.7</u>                | <u>\$ (4,746.2)</u>              |

\$9,182.9 thousand reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the next fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|                       | <i>(Dollars in Thousands)</i>     |                                  |  |
|-----------------------|-----------------------------------|----------------------------------|--|
| Year Ended<br>June 30 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Net Deferred<br>Outflows of<br>Resources |
| 2021                  | \$ 4,027.2                        | \$ (1,028.9)                     | \$ 2,998.3                               |
| 2022                  | 3,972.2                           | (1,014.9)                        | 2,957.3                                  |
| 2023                  | 3,922.6                           | (1,002.2)                        | 2,920.4                                  |
| 2024                  | 4,215.1                           | (1,076.9)                        | 3,138.2                                  |
| 2025                  | 1,457.4                           | (372.3)                          | 1,085.1                                  |
| Thereafter            | 982                               | (251.0)                          | 731.3                                    |
| Total                 | <u>\$ 18,576.8</u>                | <u>\$ (4,746.2)</u>              | <u>\$ 13,830.6</u>                       |

Of the \$13,830.6 thousands reported as net deferred outflows, \$13,615.6 thousand was under the Governmental-Activities column of the Government-wide statements and \$215.0 thousand was under the Business-type Activities column.

**Actuarial assumptions:** The total OPEB liability as of June 30, 2020 was determined by rolling forward the System's total OPEB liability as of June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return from 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, which comprised of inflation of 2.75% and 2.25% for real wage growth, and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back seven years for males and three years for females.

*Investments:* Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Healthcare Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

| <u>OPEB - Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|---------------------------|--------------------------|---|
| Cash                      | 50.30%                   | -1.0%   |
| US Core-Fixed Income      | 46.50%                   | -0.1%   |
| Non-US Developed fixed    | 3.20%                    | -0.1%   |
|                           | <u>100.00%</u>           |   |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

*Discount rate:* The discount rate used to measure the total OPEB liability was 2.66%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.66%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

*Sensitivity of the System Net OPEB Liability to change in healthcare cost trend rates:*

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2020 as it relates to the District's proportionate share, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

|                           | <u>(Dollars in Thousands)</u> |                           |                    |
|---------------------------|-------------------------------|---------------------------|--------------------|
|                           | <u>1% Decrease</u>            | <u>Current Trend Rate</u> | <u>1% Increase</u> |
| System net OPEB liability | 166,456                       | 166,477                   | 166,494            |



*Sensitivity of the District's proportionate share of the net pension to changes in the discount rate:*

The following presents the net liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage point higher (3.66%) than the current rate:

|  | <i>(Dollars in Thousands)</i> |                                |                      |
|--|-------------------------------|--------------------------------|----------------------|
|  | 1% Decrease<br>1.66%          | Current Discount<br>Rate 2.66% | 1% Increase<br>3.66% |
| District's proportionate share of the net OPEB liability | 189,810                       | 166,477                        | 147,156              |

*OPEB plan fiduciary net position:*

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**2) Philadelphia Gas Works (PGW) OPEB**

**Plan Description:**

**PGW** sponsors a single-employer defined-benefit healthcare plan and provided postemployment healthcare and life insurance benefits to retirees and their beneficiaries and dependents in FY 2021 and FY 2020, respectively, in accordance with their retiree medical program.

The OPEB Plan comprises (1) the PGW OPEB Trust (the Trust), which is used to receive, hold, and disburse assets accumulated to pay for some of the postemployment benefits other than pensions provided by PGW to its eligible retired employees and other eligible beneficiaries and (2) OPEB expenses paid for directly by PGW out of its general resources rather than through the Trust. The Trust was established for the exclusive benefit of PGW's retired employees and other eligible beneficiaries designated under the plan. Management believes that the OPEB Plan is in compliance with all applicable laws.

**Benefits Provided**

**Medical Benefits:** For pre-65 retirees, a choice of medical plans is offered through Independence Blue Cross including Personal Choice, Blue Cross Blue Shield with Major Medical, or Keystone HMO's. Employees who retire after December 1, 2001 are provided the Keystone 5 Plan at PGW's expense and they can buy up to a more expensive plan. Employees who retire on or after September 1, 2007 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Union employees who retire after August 31, 2011 are provided the Keystone 15 Plan at PGW's expense and can buy up to a more expensive plan. Management employees who retire after August 31, 2011 continue to receive the Keystone 10 as the base plan and can buy up to a more expensive plan.

Reinsurance provides specific stop-loss coverage of \$0.3 million on pre-65 Medical and Prescription Drug claims.

Eligible pre-65 retirees who relocate outside of the Keystone coverage area may elect to participate in the PGW Retiree Health Reimbursement Arrangement (HRA). Under the HRA, the Keystone base plan premium-equivalent will be credited to a participant's HRA account and will be available to reimburse the participant for eligible medical insurance premiums. Medicare eligible retirees are provided a fully insured Medicare Supplement Plan through Independence Blue Cross.

Opt-out benefits of \$1,500 per year for single coverage and \$3,000 per year for married coverage are available to eligible retirees. This benefit is not available to a married couple who both retired from PGW and who are eligible for Medicare benefits. Retirees can maintain prescription drug and dental coverage even if they opt out of medical coverage.

**Prescription Drug Benefits:** Employees who retired on or after April 15, 1976 and prior to December 1, 2001, are offered a Prescription Drug Plan that has been established specifically for retirees and is separate from the plan that is offered to active employees. The retiree Prescription plan consists of a \$2 copay for generic drugs, a \$2 copay for brand name drugs when no generic drugs are available, and a \$15 copay for brand name drugs when generic drugs are available. There are no deductibles and no lifetime maximums. Employees who retired prior to April 15, 1976 or on or after December 1, 2001 but before September 1, 2007 have a \$5 copay for generics and a \$10 copay for brand drugs. Employees who retire on or after September 1, 2007 have a \$5 copay for generics and a \$15 copay for brand drugs.

Effective, January 1, 2012, PGW moved Medicare eligible retirees into an Employee Group Waiver Plan arrangement. Covered drugs and copays remain the same. Prescription drug benefits are self-funded for all retirees.

*Dental Benefits:* For employees who retired after April 15, 1978, a basic dental plan is offered at no cost to the retiree. For employees who retired after June 1, 1984, an enhanced dental plan is offered. For eligible retirees who enroll in the enhanced dental plan, the retiree must pay the difference between the basic and enhanced plans. The dental plans were fully insured through August 31, 2016. Effective September 1, 2016, the dental benefits are self-funded.

*Death Benefits:* Nonunion employees are offered voluntary life insurance equal to two times their salary at retirement. At age 65, the life insurance benefit decreases by 5.0% per year for 15 years until the benefit equals 25.0% of the original life insurance benefit at age 65. PGW pays the cost of the first \$75,000 of coverage. Retirees in this category pay \$0.35 per \$1,000 per month for coverage in excess of \$75,000.

Union employees are offered voluntary life insurance equal to one times their salary at retirement. At retirement, the life insurance benefit decreases by 10.0% per year for 5 years until the benefit equals 50.0% of the original life insurance benefit at retirement. Retirees in this category pay \$0.35 per \$1,000 of coverage per month, PGW pays the balance.

Upon the death of an active employee prior to satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive 2 years of health coverage paid by PGW. Upon the death of an active employee on or after satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive health coverage for life (or for 5 years if hired on or after May 21, 2011 if Union or hired on or after December 21, 2011 if Nonunion) paid by PGW.

#### Contributions

The OPEB Plan pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided the Keystone 5/Keystone 10/Keystone 15 plan at PGW's expense and can buy up to a more expensive plan. Retirees also contribute toward enhanced dental plan and life insurance coverage as described above. PGW pays 100.0% of the cost for the prescription drug plan after drug copays.

#### Participants Covered

At December 31, 2020, the date of the latest actuarial valuation, the OPEB Plan's combined membership consisted of the following:

|                               | Number |
|-------------------------------|--------|
| Retirees                      | 1,468  |
| Beneficiaries                 | 400    |
| Active employees – Union      | 1,107  |
| Active employees – Management | 513    |
| Total number of participants  | 3,488  |

Contributions to the OPEB Plan are the amounts received (additions) from PGW as sponsor of the Plan. These contributions include both amounts paid by PGW out of general resources to fund benefits on a pay-as-you-go basis, and contributions related to rate surcharges approved by the PUC in May 2010 and continued in July 2015. For the OPEB Plan year ended December 31, 2020, PGW contributed \$27.6 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources. For the OPEB Plan year ended December 31, 2019, PGW contributed \$28.8 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources.

#### Net OPEB Liability

The Company's net OPEB liability as of August 31, 2021 and 2020 was measured as of December 31, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020 and 2019, respectively. The September 1, 2019 actuarial valuation was rolled forward to the December 31, 2019 measurement date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as actual amounts are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the entry age normal actuarial method and the following actuarial assumptions used to value the postemployment medical liabilities can be categorized into the following three groups:

- Benefit assumptions: the initial per capita cost rates for medical coverage, and the face amount of employer-paid life insurance.
- Demographic assumptions: including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates) and coverage levels. The demographic assumptions were updated based upon the 2020 experience study data from 2014 through 2019.
- Economic assumptions: the discount rate and health care cost trend rates.

**Benefit Assumptions:**

*Per capita claims:* Using actuarial standards, specifically ASOP6, the annual age specific per capita claims cost rates were projected at the following assumed trend rates for future years (whole U.S. dollars):

| Age   | Medical                          |                                | Prescription drug |
|-------|----------------------------------|--------------------------------|-------------------|
|       | Existing retirees and dependents | Future retirees and dependents |                   |
| <50   | \$ 7,550                         | 7,527                          | 2,541             |
| 50–54 | 8,603                            | 8,577                          | 2,953             |
| 55–59 | 10,499                           | 10,468                         | 3,731             |
| 60–64 | 12,929                           | 12,890                         | 4,557             |
| 65–69 | 2,508                            | 2,411                          | 4,018             |
| 70–74 | 2,418                            | 2,324                          | 4,777             |
| 75–79 | 2,569                            | 2,470                          | 5,113             |
| 80–84 | 2,866                            | 2,755                          | 5,164             |
| 85+   | 3,127                            | 3,007                          | 4,989             |

*Life insurance:* The claims cost for life insurance is based on the actuarial present value of projected life insurance claims increased by 15.0% to reflect the cost of the insurance funding vehicle.

*Morbidity:* The below healthcare cost for prescription drug coverage and pre-65 medical coverage reflects the following changes due to increased usage as a result of aging:

| Age   | Medical | Prescription Drug |
|-------|---------|-------------------|
| 50–54 | 4.20 %  | 5.10 %            |
| 55–59 | 4.00    | 4.20              |
| 60–64 | 4.60    | 4.30              |
| 65–69 | (2.20)  | 5.10              |
| 70–74 | 0.90    | 1.90              |
| 75–79 | 1.90    | 0.50              |
| 80–84 | 3.00    | (1.30)            |
| 85+   | —       | —                 |

Demographic assumptions:

*Mortality rates:* Mortality rates for FY 2020 were based on the Public Pension General (PUB-G) Employee, Healthy Annuitant and Disabled Retiree Mortality Tables (head-count weighted) projected with scale MP-2019. Mortality rates for FY 2021 is assumed to follow the sex-distinct Pri-2012 Employee, Healthy Annuitant, and Disabled Retiree Mortality tables projected with scale MP-2020.

*Retirement rates:* Retirement rates applicable once an employee is eligible for retirement benefits vary by age and service with rates as follows:

| Age | Service < 30 | Service > 30 | Age | Service < 30 | Service > 30 |
|-----|--------------|--------------|-----|--------------|--------------|
| 50  | — %          | 15.00 %      | 61  | 10.00 %      | 15.00 %      |
| 51  | —            | 15.00        | 62  | 10.00        | 40.00        |
| 52  | —            | 15.00        | 63  | 10.00        | 25.00        |
| 53  | —            | 15.00        | 64  | 10.00        | 25.00        |
| 54  | —            | 15.00        | 65  | 20.00        | 25.00        |
| 55  | 5.00         | 15.00        | 66  | 20.00        | 40.00        |
| 56  | 5.00         | 15.00        | 67  | 20.00        | 40.00        |
| 57  | 10.00        | 15.00        | 68  | 20.00        | 40.00        |
| 58  | 10.00        | 15.00        | 69  | 20.00        | 40.00        |
| 59  | 10.00        | 15.00        | 70+ | 100.00       | 100.00       |
| 60  | 10.00        | 15.00        |     |              |              |

*Withdrawal rates:* Turnover rates applicable before an employee is eligible for retirement benefits vary by age and service with illustrative rates as follows:

| Age           | Service < 1 year | 1 year of service | 2 years of service | 3 years of service | 4 years of service | Service > 4 years |
|---------------|------------------|-------------------|--------------------|--------------------|--------------------|-------------------|
| 37 or Younger | 25.00 %          | 15.00 %           | 12.00 %            | 10.00 %            | 7.00 %             | 3.00 %            |
| 38            | 23.00            | 15.00             | 12.00              | 9.00               | 6.60               | 2.80              |
| 39            | 21.00            | 15.00             | 12.00              | 8.00               | 6.20               | 2.60              |
| 40            | 19.00            | 15.00             | 12.00              | 7.00               | 5.80               | 2.40              |
| 41            | 17.00            | 15.00             | 12.00              | 6.00               | 5.40               | 2.20              |
| 42            | 15.00            | 15.00             | 12.00              | 5.00               | 5.00               | 2.00              |
| 43            | 14.00            | 14.00             | 10.60              | 4.60               | 4.60               | 2.00              |
| 44            | 13.00            | 13.00             | 9.20               | 4.20               | 4.20               | 2.00              |
| 45            | 12.00            | 12.00             | 7.80               | 3.80               | 3.80               | 2.00              |
| 46            | 11.00            | 11.00             | 6.40               | 3.40               | 3.40               | 2.00              |
| 47            | 10.00            | 10.00             | 5.00               | 3.00               | 3.00               | 2.00              |
| 48            | 10.00            | 10.00             | 5.00               | 2.80               | 2.80               | 2.00              |
| 49            | 10.00            | 10.00             | 5.00               | 2.60               | 2.60               | 2.00              |
| 50            | 10.00            | 10.00             | 5.00               | 2.40               | 2.40               | 2.00              |
| 51            | 10.00            | 10.00             | 5.00               | 2.20               | 2.20               | 2.00              |
| 52 or Older   | 10.00            | 10.00             | 5.00               | 2.00               | 2.00               | 2.00              |

*Participation Rate:* Participation assumes 100% of future retirees who meet the eligibility requirements will participate in the postemployment welfare upon retirement.

*Disability rates:* Disability rates vary by age with illustrative rates as follows:

| Age            | Males  | Females |
|----------------|--------|---------|
| 27 and Younger | 0.03 % | 0.03 %  |
| 28             | 0.03   | 0.04    |
| 29             | 0.03   | 0.04    |
| 30             | 0.03   | 0.04    |
| 31             | 0.03   | 0.06    |
| 32             | 0.03   | 0.06    |
| 33             | 0.03   | 0.07    |
| 34             | 0.03   | 0.07    |
| 35             | 0.04   | 0.08    |
| 36             | 0.04   | 0.09    |
| 37             | 0.06   | 0.10    |
| 38             | 0.07   | 0.11    |
| 39             | 0.08   | 0.13    |
| 40             | 0.09   | 0.14    |
| 41             | 0.10   | 0.17    |
| 42             | 0.11   | 0.19    |
| 43             | 0.13   | 0.21    |
| 44             | 0.16   | 0.25    |
| 45             | 0.18   | 0.27    |
| 46             | 0.20   | 0.30    |
| 47             | 0.23   | 0.33    |
| 48             | 0.28   | 0.37    |
| 49             | 0.31   | 0.40    |
| 50             | 0.37   | 0.45    |
| 51             | 0.43   | 0.49    |
| 52             | 0.51   | 0.55    |
| 53             | 0.59   | 0.60    |
| 54             | 0.68   | 0.66    |
| 55             | 0.77   | 0.71    |
| 56             | 0.86   | 0.77    |
| 57             | 0.96   | 0.83    |
| 58             | 1.06   | 0.89    |
| 59             | 1.17   | 0.95    |
| 60             | 1.28   | 1.00    |
| 61             | 1.40   | 1.07    |
| 62             | 1.54   | 1.13    |
| 63             | 1.68   | 1.17    |
| 64             | 1.83   | 1.22    |
| 65 and Older   | —      | —       |

Economic assumptions:

*Long-term rate of return:* The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. The target allocation for each major asset class as of December 31, 2020 is summarized in the following table:

| Asset class               | Minimum | Maximum | Target  | Expected annual return |
|---------------------------|---------|---------|---------|------------------------|
| Domestic equity large cap | 27.5 %  | 37.5 %  | 32.5 %  | 9.5 %                  |
| Domestic equity small cap | 10.0    | 15.0    | 12.5    | 8.3                    |
| Emerging market equity    | 5.0     | 10.0    | 7.5     | 7.2                    |
| International equity      | 15.0    | 20.0    | 17.5    | 6.5                    |
| Fixed income              | 20.0    | 40.0    | 30.0    | 2.1                    |
| Commodities/Real Assets   | —       | 10.0    | —       | —                      |
| Cash equivalents          | —       | 5.0     | —       | —                      |
|                           |         |         | 100.0 % |                        |

Inflation Rate: 2.0%

Healthcare cost trend:

| Fiscal year beginning<br>(January 1) | Medical<br>(Pre-65) | Medical<br>(Post-65) | Prescription<br>drugs | Dental |
|--------------------------------------|---------------------|----------------------|-----------------------|--------|
| 2021                                 | 5.60 %              | 4.50 %               | 6.30 %                | 4.00 % |
| 2022                                 | 5.60                | 4.50                 | 6.30                  | 4.00   |
| 2023                                 | 5.60                | 4.50                 | 6.30                  | 4.00   |
| 2024                                 | 5.55                | 4.50                 | 6.25                  | 4.00   |
| 2025                                 | 5.55                | 4.50                 | 6.20                  | 4.00   |
| 2030                                 | 5.40                | 4.50                 | 6.00                  | 4.00   |
| 2040                                 | 5.40                | 4.50                 | 6.00                  | 4.00   |
| 2050                                 | 5.40                | 4.50                 | 5.45                  | 4.00   |
| 2060                                 | 5.05                | 4.50                 | 5.20                  | 4.00   |
| 2070                                 | 4.60                | 4.50                 | 4.65                  | 4.00   |
| Ultimate                             | 4.50                | 4.50                 | 4.50                  | 4.00   |

*Discount rate:* The discount rate used for determining the Total OPEB Liability is the long-term expected rate of return on plan investments of 7.30% as of December 31, 2020, December 31, 2019, and December 31, 2018, which represents the long-term expected rate of return on Plan investments at the applicable measurement date.

**Changes in Net OPEB Liability**

(Thousands of U.S. dollars)

|   | Increase (decrease)            |                                       |                                  |
|---|--------------------------------|---------------------------------------|----------------------------------|
|   | Total OPEB<br>liability<br>(a) | Plan fiduciary<br>net position<br>(b) | Net OPEB<br>liability<br>(a)-(b) |
| Balances at September 1, 2020                         | \$ 493,570                     | 245,361                               | 248,209                          |
| Changes for the year:                                 |                                |                                       |                                  |
| Service cost  | 4,999                          | —                                     | 4,999                            |
| Interest  | 35,387                         | —                                     | 35,387                           |
| Differences between expected and<br>actual experience | (30,648)                       | —                                     | (30,648)                         |
| Assumption changes                                    | 31,995                         | —                                     | 31,995                           |
| Benefit Payments                                      | (27,636)                       | —                                     | (27,636)                         |
| Contributions-employer                                | —                              | 46,136                                | (46,136)                         |
| Project investment return on year                     | —                              | 18,585                                | (18,585)                         |
| Plan asset gain/(loss)                                | —                              | 23,673                                | (23,673)                         |
| Benefit payments                                      | —                              | (27,636)                              | 27,636                           |
| Administrative expenses and bank fees                 | —                              | (40)                                  | 40                               |
| Net changes   | 14,097                         | 60,718                                | (46,621)                         |
| Balances at August 31, 2021                           | \$ 507,667                     | 306,079                               | 201,588                          |

Changes in Net OPEB Liability

(Thousands of U.S. dollars)

|  | Increase (decrease)  |                             |                    |
|--|----------------------|-----------------------------|--------------------|
|  | Total OPEB liability | Plan fiduciary net position | Net OPEB liability |
|  | (a)                  | (b)                         | (a)-(b)            |
| Balances at September 1, 2019                      | \$ 520,533           | 184,454                     | 336,079            |
| Changes for the year:                              |                      |                             |                    |
| Service cost                                       | 5,867                | —                           | 5,867              |
| Interest   | 37,374               | —                           | 37,374             |
| Differences between expected and actual experience | (16,787)             | —                           | (16,787)           |
| Assumption changes                                 | (24,572)             | —                           | (24,572)           |
| Benefit Payments                                   | (28,845)             | —                           | (28,845)           |
| Contributions-employer                             | —                    | 47,345                      | (47,345)           |
| Project investment return on year                  | —                    | 14,139                      | (14,139)           |
| Plan asset gain/(loss)                             | —                    | 28,305                      | (28,305)           |
| Benefit payments                                   | —                    | (28,845)                    | 28,845             |
| Administrative expenses and bank fees              | —                    | (37)                        | 37                 |
| Net changes  | (26,963)             | 60,907                      | (87,870)           |
| Balances at August 31, 2020                        | \$ 493,570           | 245,361                     | 248,209            |

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:* The following presents the Total OPEB liability of the Company at December 31, 2020, as well as what the Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

|                    | 1% Decrease                 | Current discount rate | 1% Increase |
|--------------------|-----------------------------|-----------------------|-------------|
|                    | 6.30 %                      | 7.30 %                | 8.30 %      |
|                    | (Thousands of U.S. dollars) |                       |             |
| Net OPEB liability | \$ 266,333                  | 201,588               | 148,012     |

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the Total OPEB liability of the Company at December 31, 2020, as well as what the Total OPEB liability would be if it were calculated using healthcare cost trend rates are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                    | 1% Decrease                 | Current healthcare cost trend rates | 1% Increase |
|--------------------|-----------------------------|-------------------------------------|-------------|
|                    | (Thousands of U.S. dollars) |                                     |             |
| Net OPEB liability | \$ 148,286                  | 201,588                             | 266,488     |

*OPEB Plan's fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPEB Plan financial report. Requests for additional information should be addressed to the Administrator – PGW OPEB Trust, 800 W. Montgomery Avenue, Philadelphia PA 19122.

**OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits**

For the years ended August 31, 2021 and 2020, the Company recognized OPEB expense of (\$0.9) million and \$10.9 million, respectively. At August 31, 2021 and 2020, the Company reported deferred outflows of resources and deferred inflow of resources related to other postemployment benefits from the following sources (thousands of U.S. dollars):

|   | August 31, 2021                |                               | August 31, 2020                |                               |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|   | Deferred outflows of resources | Deferred inflows of resources | Deferred outflows of resources | Deferred inflows of resources |
| Differences between expected and actual experience                            | \$ —                           | 61,502                        | —                              | 60,527                        |
| Changes of assumptions  | 40,956                         | 14,744                        | 29,177                         | 20,954                        |
| Net difference between projected and actual earnings on OPEB plan investments | —                              | 26,639                        | —                              | 10,043                        |
| Contributions made after measurement date                                     | 30,765                         | —                             | 32,021                         | —                             |
| <b>Total</b>  | <b>\$ 71,721</b>               | <b>102,885</b>                | <b>61,198</b>                  | <b>91,524</b>                 |

The \$30.8 million and \$32.0 reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2020 and 2019, respectively, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal periods. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows (thousands of U.S. dollars):

|              |             |
|--------------|-------------|
| Fiscal year: |             |
| 2022         | \$ (15,013) |
| 2023         | (24,053)    |
| 2024         | (18,398)    |
| 2025         | (4,465)     |
| 2026         | —           |
| Thereafter   | —           |

**Fair Value Measurements**

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 2020, (thousands of U.S. Dollars):

|                            | Level 1           | Level 2      | Level 3  | Total          |
|----------------------------|-------------------|--------------|----------|----------------|
| Bond mutual funds          | \$ 292,581        | —            | —        | 292,581        |
| U.S. government securities | 9,768             | 3,596        | —        | 13,364         |
|                            | <b>\$ 302,349</b> | <b>3,596</b> | <b>—</b> | <b>305,945</b> |



Mutual funds consist of open-end mutual funds that are registered with the SEC and are valued daily using quoted prices in active markets as provided by the pricing vendor for these securities (Level 1 inputs).

Fixed Income consists of corporate bonds, U.S. Government and agency securities, and mortgage/asset backed securities. The fair values of these investments are determined using third-party pricing services using quoted prices in active markets (Level 1 inputs) or prices derived from observable market inputs such as benchmark curves, broker/dealer quotes, and other industry and economic factors Level 2 inputs).

#### *Investment Policy*

The Trust's investment policy in regard to the allocation of invested assets is defined in its Statement of Investment Guidelines (the Guidelines) developed in conjunction with the Trust's Board and its financial advisors. The long-term goals of the Guidelines are to manage the assets in a manner in the best of interest of participants, produce investment return that meets the actuarially assumed rate, and to produce consistent performance to protect against excessive volatility. There has not been any significant change in the Trust's investment policy during the reporting period.

The asset allocation strategy was as follows (as adjusted in February 2019):

|                                       | <u>Target</u> | <u>Actual</u> |
|---------------------------------------|---------------|---------------|
| Domestic equity large cap             | 32.5 %        | 32.3 %        |
| Domestic equity small cap             | 12.5          | 13.4          |
| Emerging market international equity  | 7.5           | 7.7           |
| Developed market international equity | 17.5          | 18.5          |
| Fixed income                          | 30.0          | 28.0          |
| Cash and cash equivalents             | —             | 0.1           |

#### *Rate of Return*

For the years ended December 31, 2020 and 2019, the annual money-weighted rate of return on investments, net of investment expense, was 16.65% and 21.97%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's.

#### *Custodial Credit Risk*

The assets of the Plan are held by the Trust. Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned to the Trust. The Trust held no cash and cash equivalents at December 31, 2020 and 2019, covered by federal deposit insurance. Custodial credit risk for investments is the risk that, in the event of a failure to a counterparty to a transaction, the value of the investment or collateral securities that are in possession of an outside party may not be recovered. Investments are exposed to custodial credit risk if the securities are uninsured, are not held in the name of the Trust, or are held by either the counterparty or the counterparty's trust department or agent but not in the Trust's name. The Trust's investments are not exposed to custodial credit risk as they are held by the Trust's custodian in the name of the Trust.

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The Trust's investment policy does not specifically address limitations on the maturities of investments.

#### *Investment Concentration Risk*

Investment concentration risk is the risk that the investment portfolio is disproportionately exposed to market changes in specific sectors or securities. As of December 31, 2020, the Trust held the following investments in excess of 5.0% of the fair value of the Trust's net position: DFA US Small Cap Fund, American Funds Europac Growth R6 Fund, Vanguard Total Stock Market Index Fund, and Baird Core Bond Fund. As of December 31, 2019, the Trust held the following investments in assets in excess of 5.0% of the fair value of the Trust's net position: DFA US Small Cap Fund, American Funds Europac Growth R6 Fund, MainStay MacKay High Yield Fund, Vanguard Total Stock Market Index Fund, Vanguard Total Bond Market Fund, and Baird Core Bond Fund.

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#### 4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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**PICA**, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non-voting members. The Governor of Pennsylvania, the President Pro Tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member to the Board.

The Act provides that, upon **PICA's** approval of a request of the City to **PICA** for financial assistance, **PICA** shall have certain financial and oversight functions. First, **PICA** shall have the power to issue bonds and grant or lend the proceeds thereof to the City. Second, **PICA** also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City and to certify noncompliance by the City with its current five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth of Pennsylvania to cause certain Commonwealth payments due to the City to be withheld).

**PICA** bonds are payable from the proceeds of a **PICA** tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the **PICA** tax so that the total tax remains the same. **PICA** returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2021 this transfer amounted to \$509.0 million.

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#### 5. RELATED PARTY TRANSACTIONS

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The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

##### A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of \$84.61 million to SEPTA.

##### B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments which totaled \$147.92 million during the year to the following organizations:

- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund for Philadelphia Incorporated

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#### 6. RISK MANAGEMENT

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##### A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Workers' Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, its city-administered health plan, the International Association of Fire Fighters and District Council 47.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claim expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was \$490.4 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2019 resulted from the following:

*(Amounts in Millions of USD)*

|             | <u>Beginning<br/>Liability</u> | <u>Current Year<br/>Claims &amp;<br/>Changes<br/>In Estimates</u> | <u>Claim<br/>Payments</u> | <u>Ending<br/>Liability</u> |
|-------------|--------------------------------|---|---------------------------|-----------------------------|
| Fiscal 2019 | 353.0                          | 207.9   | (217.0)                   | 343.9                       |
| Fiscal 2020 | 343.9                          | 271.9   | (224.1)                   | 391.8                       |
| Fiscal 2021 | 391.8                          | 321.2   | (222.6)                   | 490.4                       |

The City's Unemployment Compensation and Workers' Compensation coverage are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverage are funded by a pro rata charge to the various funds. Payments for the year were \$5.7 million for Unemployment Compensation claims and \$75.0 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$297.0 million discounted at 3.5%. On an undiscounted basis, these liabilities total \$386.7 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers' compensation total \$269.7 million (discounted) and \$353.4 million (undiscounted).

During the last five (5) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

## B. COMPONENT UNITS

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. As previously noted, the School District is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness), and employee medical benefits.

The School District maintains property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of \$1.0 million and a limit of \$250.0 million per occurrence with certain sub-limits as specified in the policy terms. Also, certain insurance coverages including Accident, Foreign Package Excess Workers' Compensation, Student Professional Liability and Employee Performance bonds are obtained.

The School District reported the long-term portion of its risk management obligations totaling \$131.9 million in the district-wide Statement of Net Position. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a pro rata charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and when the amount of the loss can be reasonably estimated. Losses include an estimate of claims that have been incurred but not reported, the effects of specific incremental claims adjustment expenditures, salvage and subrogation, and unallocated claims adjustment expenditures. At June 30, 2021, the amount of these liabilities totaled \$131.9 million.

Additionally, **PGW** and **PPA** are self-insured for various risks. At June 30, 2021, the amount of these liabilities totaled \$146.8 million, which includes, \$131.9 million for **SDP**, \$10.0 million for **PGW**, and \$4.9 million for **PPA**.

Changes in the balances of claims and liabilities during the past two (2) years are as follows:

*(Amounts in Millions)*

| <u>Fiscal Year</u> | <u>Beginning Liability</u> | <u>Current Year Claims and Changes In Estimates</u> | <u>Claim Payments</u> | <u>Ending Liability</u> |
|--------------------|----------------------------|---|-----------------------|-------------------------|
| 2021               | \$ 136.5                   | \$ 234.9  | \$ (224.6)            | \$ 146.8                |
| 2020               | \$ 134.4                   | \$ 208.1  | \$ (206.0)            | \$ 136.5                |

## 7. COMMITMENTS

### A. PRIMARY GOVERNMENT

Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amounts of open encumbrances for both, the current and prior fiscal years, were as follows:

*(Amounts in Thousands of USD)*

| <u>Fund</u>                      | <u>Amounts</u> |
|----------------------------------|----------------|
| General Fund                     | 350,490        |
| Grants Revenue Fund              | 447,232        |
| Community Behavioral Health Fund | 121,589        |
| Water Enterprise Fund            | 613,336        |
| Aviation Enterprise Fund         | 181,763        |
| Non-Major Governmental Funds     | 378,755        |
| Total                            | 2,093,166      |

### B. COMPONENT UNITS

#### SDP

Capital Projects Fund Construction and Equipment Purchase Commitments:

The School District's outstanding contractual commitments at June 30, 2021 are summarized as follows:

|                                    |                       |
|------------------------------------|-----------------------|
| New Buildings and Additions        | \$ 41,270,896         |
| Alterations and Improvements       | 33,381,880            |
| Major/Building Renovations         | 7,786,255             |
| Technology and Operations Projects | 21,271,713            |
| Total                              | <u>\$ 103,710,744</u> |

#### Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2021 are as follows:

|                       | <u>General Fund</u> | <u>Intermediate Unit Fund</u> |
|-----------------------|---------------------|-------------------------------|
| Services and Supplies | \$9,213,158         | \$212,330                     |

#### Categorical Fund Commitments

Categorical Funds encumbrances totaled \$20.6 million at June 30, 2021.

**PGW**

*Commitments*

Commitments for major construction and maintenance contracts were approximately \$84.0 million and \$34.6 million, as of August 31, 2021 and 2020, respectively.

The Company is committed under various noncancelable operating lease agreements to pay minimum annual rentals as follows (thousands of U.S. dollars):

|              |    |       |
|--------------|----|-------|
| Fiscal year: |    |       |
| 2022         | \$ | 1,188 |
| 2023         |    | 799   |
| 2024         |    | 578   |
| 2025         |    | 65    |

The Company, in the normal course of conducting business, has entered into long-term contracts for the supply of natural gas, firm transportation, and long-term firm gas storage service. The Company's cumulative obligations for demand charges for all of these services are approximately \$5.6 million per month.

The Company's FY 2022 Capital Budget was approved by City Council in the amount of \$147.5 million. Within this approval, funding was provided to continue the implementation of an 18-mile CIMR Program. The cost for this program in FY 2022 is expected to be \$28.3 million. The total six-year cost of the CIMR Program is forecasted to be \$180.2 million. In addition to the 18-mile CIMR Program, the FY 2022 Capital Budget includes funding for an accelerated CIMR Program which PGW will include in its DSIC surcharge. This incremental program in FY 2022 is expected to cost \$37.0 million. The total six-year cost of this incremental program is forecasted to be \$222.0 million. The FY 2022 Capital Budget also includes \$1.6 million for the purchase of smartpoint devices for the Automatic Meter Infrastructure (AMI) units, which will replace the Automatic Meter Reading (AMR) devices. The total six-year cost of this program to replace AMR units is approximately \$3.2 million.

## 8. CONTINGENCIES

### A. PRIMARY GOVERNMENT

#### 1) Claims and Litigation

Generally, claims against the City are payable out of the General Fund, except claims against the City Water Department, City Aviation Division, or Component Units which are paid out of their respective funds and only secondarily out of the General Fund which is then reimbursed for the expenditure. Unless specifically noted otherwise, all claims hereinafter discussed are payable out of the General Fund or the individual Enterprise Fund. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act", established a \$500,000 aggregate limitation on damages arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been upheld by the United States Supreme Court. There is no such limitation under federal law.

Various claims have been asserted against the City and in some cases lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately \$464.6 million. Of this amount, \$35.1 million is charged to the current operations of the Enterprise Funds. The remaining \$429.4 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City, for which a loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimate of the amount of loss from these lawsuits in which some amount of loss is reasonably possible is approximately \$203.3 million from the General Fund, \$4.9 million from the Water Fund, and \$2.9 million from the Aviation Fund. This represents the best estimate of the entire current inventory of such litigation and pre-suits as of February 23, 2022.

Significant cases included in the current litigation against the City are as follows:

**2018 Tax Reassessment Cases**

- On September 14, 2017, the first plaintiffs filed suit in the Court of Common Pleas of Philadelphia County, alleging the 2018 property tax reassessment performed by the City's Office of Property Assessment (the "OPA") violated the Uniformity Clause of the Pennsylvania Constitution, and the statutes controlling assessments in Pennsylvania and first-class counties, seeking the reduction of their 2018 tax bills to levels based on 2017 values. Plaintiffs allege, following a countywide property tax reassessment for tax year 2014, the City made no subsequent reassessments until tax year 2018 when it reassessed only commercial, but not residential, properties. Plaintiffs claim, such disparate treatment of different categories of real property violates the state constitution's Uniformity Clause, and thus is null and void. Plaintiffs sought declaratory relief, an injunction forbidding the collection of taxes based on the allegedly unconstitutional valuations, and an order directing the OPA to "recertify" Plaintiffs' properties at their 2017 values.

Subsequently, twelve additional cases were filed, asserting virtually the same claims. All of the cases, which in total encompass approximately 700 plaintiffs, were consolidated for management purposes. The School District of Philadelphia, which receives a portion of the City's real estate tax revenues and all of a separate Use and Occupancy Tax which is also based upon OPA assessment values, was added as a defendant to the lawsuits. The City filed preliminary objections contesting the legal sufficiency of the claims, as well as the failure of the plaintiffs to appeal their assessments to the Board of Revision of Taxes (the "BRT"), the administrative agency statutorily designated to hear assessment appeals, and to appeal any decision adverse to them through the Local Agency Law process. The Court overruled those preliminary objections but dismissed mandamus claims and claims against individual defendants. The City filed Answers with New Matter to each complaint.

The cases were tried in the Philadelphia Court of Common Pleas in early June 2019. On July 18, 2019, the Court issued a Decree and Findings of Fact and Conclusions of Law determining that the assessments at issue were unconstitutional and that the real estate property taxes for Tax Year 2018 for the properties at issue in the litigation shall be reset to the assessments for those properties for tax year 2017.

The real estate tax revenue associated with the increase of taxable assessed values for the properties in question currently exceeds \$36 million, with approximately 55% allocated to the School District and 45% to the City, not including the separate Use and Occupancy tax revenue for the School District. The City filed post-trial motions challenging the Court's determination. On September 25, 2019, the Court issued its Opinion and Order effectuating the decision discussed above.

The City and School District appealed the ruling on October 22, 2019, and oral arguments on such appeal were heard in the Commonwealth Court in June 2021. On July 29, 2021, the Commonwealth Court issued a decision that upheld the ruling of the Common Pleas Court. On October 21, 2021, the City and the School District filed a petition for allowance of appeal with the Pennsylvania Supreme Court, and we await their response.

**Liberty Resources v. City**

Two organizations and four disabled persons filed a class action complaint in Federal Court in late August 2019 alleging various violations of the Americans with Disabilities Act and other federal laws. The allegations include failures by the City to meet provisions of the laws related to the conditions of crosswalks and sidewalks in the City of Philadelphia. The plaintiffs are represented by a national legal advocacy organization, Disability Rights Advocates, and experienced local counsel.

On July 7, 2020, the Court granted the City's partial motion to dismiss as well as the plaintiffs' motion for class certification on the remaining claims. The Court's decision on the dismissal motion significantly narrowed the claims against the City and its potential liability, but several significant claims remain. The City filed its Answer to the Plaintiffs' Complaint on August 18, 2020, and the case has proceeded through fact and expert discovery. The Court largely granted the City's partial motion for summary judgment and denied Plaintiffs' partial motion for summary judgment. The Court's decision at summary judgment further limited Plaintiffs' claims by applying a two-year statute of limitations and requiring particularized proof of violations at specific curb ramps as opposed to City policy. Trial has been stayed as the parties attempt to reach potential settlement. Should the case proceed as far as trial, the City could potentially face a verdict substantially in excess of \$8 million, although it is possible now that such verdict could be below \$8 million. Settlement of the matter would be fore substantially less than \$8 million.

**Henderson Inverse Condemnation**

In early September 2016, a Petition for the Appointment of a Board of View pursuant to the Pennsylvania Eminent Domain Code 26 Pa. C. Section 502(c) was filed in Delaware County, Pennsylvania, against the City by numerous Henderson related entities and trusts (the "Hendersons"). The Petition alleged that the City effected a de facto taking of the Hendersons properties (the "Property"), which Property is proximate to the Philadelphia International

Airport and located in Tinicum Township, Delaware County. The City desired to acquire the Property for Airport purposes and had numerous discussions with representatives for the Hendersons over time.

The City filed Preliminary Objections to the Petition and there was a hearing on the Petition and the Preliminary Objections scheduled for January 2018. Prior to the hearing, the City filed its own Declaration of Taking in September 2017 and made an offer of just compensation. The City and the Hendersons then settled the foregoing matters. The City obtained possession of the Property and paid the Hendersons estimated just compensation of \$54.5 million. The Hendersons' de facto taking case was dismissed with prejudice.

The Board of View which was appointed by the Court of Common Pleas in Delaware County (the "Court") issued its Report, which was filed on October 19, 2020, awarding damages to the Hendersons in the amount of \$139,120,000 as "just compensation" for the taking of the Property. The amount of \$54,500,000 referenced above is to be deducted from this amount. The City filed an appeal of the Board's Report to the trial court raising objections to the decision of the Board and demanding a jury trial in accordance with the Eminent Domain Code. Under the Eminent Domain Code, the trial court was required to preliminarily determine the issues of law raised in the appeal and whether the Board's Report was legally erroneous. On November 9, 2021, the trial court issued an order confirming the Board's Report as correct and overruled the City's legal objections. Pursuant to Pennsylvania Rule of Appellate Procedure 311(a)(8) and the Eminent Domain Code, the City filed an appeal as of right of the trial court's November 9, 2021 order to the Commonwealth Court. This appeal is currently pending in the Commonwealth Court. Once this appeal is disposed of, the parties will return to the trial court for a trial de novo. The City is represented by outside counsel.

**Fraternal Order of Police, Lodge 5 (Deplorable Conditions) v. City of Philadelphia**

The FOP filed a grievance alleging that the City violated their union labor contract's human dignity clause based on the condition of all police facilities and sought extensive remedies. Following a lengthy arbitration, an interim award was issued on April 26, 2013. Pursuant to the terms of that award, the arbitrator found that the City had violated the contract but ordered only that the parties meet on a monthly basis to identify and prioritize issues, work out budgets, and work through the issues identified by the union. In July of 2018, the FOP requested hearings before the arbitrator regarding the conditions of the police facilities, but no dates were set, and there has not been any activity on this matter since July of 2018. Although the union has not specified its concerns, the City's attorneys believe that the union wishes the arbitrator to force the City to significantly renovate or replace existing facilities. The City's attorneys are unable in their professional judgment to evaluate the likely cost of an unfavorable outcome but estimate that if renovations such as the union has previously sought were necessary, it could cost the city more than \$8 million. City attorneys believe the probability of such an award being issued to be highly unlikely and would contest any such award vigorously through available appellate options. There has been no communication on this matter for two years (last communication was in July of 2018).

**James Dennis v. City of Philadelphia**

Mr. Dennis has filed suit in federal court alleging that he was wrongfully incarcerated for 25 years due to the withholding and fabrication of evidence by the Philadelphia Police Department. Mr. Dennis received a new trial after his conviction, but in 2016 pled no contest to murder rather than going to trial again. This case has been stayed pending an appeal. Mr. Dennis is represented by an experienced civil rights attorney, and if liability is established, the City could potentially face an \$8 million verdict.

**Simmons v. City of Philadelphia, No. 19-1648**

Plaintiff alleges that he was wrongfully convicted and imprisoned for almost ten years because detectives fabricated evidence against him. Plaintiff has made a \$15 million demand, and the case is in suspense pending a related criminal trial.

**Frazier v. City of Philadelphia, No. 19-1692**

Plaintiff alleges that he was wrongfully convicted and imprisoned for seven years due to misconduct of a former Philadelphia police detective. The case is in suspense pending related criminal charge cases.

**Dwayne Thorpe v. City of Philadelphia**

Mr. Thorpe alleges that he was maliciously prosecuted and wrongfully incarcerated for 11 years for a crime he did not commit. The case is in active discovery, and Plaintiff is represented by outside counsel. Damages are difficult to calculate at this stage of the case, but, if liability is established, could exceed \$8 million considering the length of time spent in incarceration.

**Theophalis Wilson v. City of Philadelphia, 21-2057**

Theophalis Wilson was convicted of murder and spent 28 years in prison before his conviction was vacated. He filed suit in Federal Court in early May 2021. Given the length of time Mr. Wilson spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

**Outlaw v. City of Philadelphia, 21-1290**

Donald Outlaw was convicted of murder and spent 18 years in prison before his conviction was vacated. His conviction was vacated and nolle prossed at the end of 2020, and he has filed suit in Federal Court. The case is in early stages. Given the length of time Mr. Outlaw spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

**Ogrod v. City of Philadelphia, 21-2499**

Walter Ogrod was convicted of murder and spent 23 years in prison before his conviction was vacated. A complaint was filed at the end of May 2021. Given the length of time Mr. Ogrod spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

**Consolidated Civil Actions Arising out of Civil Unrest Cases**

Multiple civil actions have been filed alleging that the Police Department engaged in civil rights violations during periods of protests and civil unrest from May 30-June 1, 2020. The aggregate exposure of these matters, which have already reached over 200 plaintiffs, could amount to several million dollars.

**Zilka Wage Tax Refund Exposure**

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

**Host International, Inc. v. MarketPlace PHL, LLC**

In May 2019, Host International, Inc. ("Host") instituted suit against MarketPlace PHL, LLC ("MarketPlace"), which manages all retail concession operations at Philadelphia International Airport pursuant to a January 1, 2015, concession agreement (the "Agreement") with the City, through its Commerce Department, Division of Aviation. The suit, filed in Federal court in the Eastern District of Pennsylvania, alleges breaches of antitrust laws in connection with MarketPlace having entered into a Beverage Services and Sponsorship Agreement with a company doing business as Pepsi Beverages Company. MarketPlace, filed a Motion to Dismiss (the "Motion") in July 2019. The Motion was granted, and Host has filed an appeal, which is pending. The appeal before the Third Circuit is scheduled to be heard on September 24, 2021. MarketPlace and the City believe the underlying claims are without merit. Should the appeal be successful, and should the court thereafter find against MarketPlace and find that the claims have merit and if such a result has an impact on MarketPlace, such result may have an impact on the City based upon the Agreement. Additionally, MarketPlace and Host entered into negotiations for an extension of an expired lease or entering into a new lease for space at the airport. These leases were not the subject of the pending litigation. As part of those negotiations, MarketPlace was interested in settling the pending appeal. On August 23, 2021, Host filed an injunction motion with the Third Circuit, and the City responded. There has been no decision. Host is demanding that the extension of an expired lease or entering into a new lease at the airport not be conditioned on the termination of the underlying appeal. The City believes the underlying claim is without merit.



**2) Guaranteed Debt**

During Fiscal Year 2014, the City implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 had no significant effect on the City's financial statements. The City has guaranteed certain debt payments of one component unit (PPA). Under a contract with PPA authorized by City Council Ordinance, the City agreed to annually pay such amounts as necessary to restore any deficiency in the debt service reserve fund for PPA's Parking System Revenue Bonds Series 1999A. During fiscal year 2019, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City was not required to cover the debt service this fiscal year due to contingent payments from a third party. As of March 31, 2021, the City of Philadelphia has provided approximately \$14.2 million in funds in its role as guarantor of these bonds. The 1999A Indenture provides for the Authority to repay the City for any funds paid by the City as a result of its guarantee. In the event of a sale of the parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The current portion is \$895,000 as of March 31, 2021. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of \$8.50 million at March 31, 2021.

**3) Single Audit**

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City Officials, the only significant contingent liabilities related to matters of compliance, are the timely filing of the City's audit report, data collection form and reporting package, detailed below and the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the year ended June 30, 2021, which accounted for \$997.3 million for all open programs as of November 30, 2021. Of this amount, \$777.8 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2021. \$215.3 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the years ended June 30, 2020 and prior, and \$4.2 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

In addition to the Single Audit contingencies noted above, Uniform Guidance §200.512 requires that the audit must be completed, and the data collection form and reporting package must be submitted within, the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. The City has regularly failed to meet this filing requirement. As a result of the City's continued failure to meet this filing requirement, there is a chance that future funding could be affected.

**4) HUD Section 108 Loans**

As detailed in Note III. 6., collateral for repayment of the City's HUD Section 108 loans includes future Community Development Block Grant entitlements due to the City from HUD.

**5) Act 148 Children and Youth and Other Major Programs**

In previous fiscal years the Act 148 and all of the Children and Youth Programs reimbursed by the Commonwealth of Pennsylvania, was accounted for in the General Fund. Starting in fiscal year 2012, the reimbursable portion of this program was accounted for in the Grants Revenue Fund, and the non-reimbursable portion continues to be accounted for in the General Fund. At June 30, 2020, the Grants Revenue Fund had a \$172.7 million receivable for the Children and Youth Programs. In FY 2021 the Grants Revenue Fund had expenditures totaling \$466.7 million and revenue totaling \$518.9 million. At June 30, 2021, the Grants Revenue Fund had a \$120.1 million receivable for the Children and Youth Programs. Due to the nature of the programs' billing policies, the city has 24 months after the current fiscal year-end date to submit a final reimbursement request. If receivables for program costs submitted for reimbursement are subsequently deemed ineligible, such non-reimbursable costs will be charged to the General Fund.

**6) Global Pandemic Uncertainties and Support**

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

During Fiscal Year 2021 in response to increased expenses related to COVID-19, various federal, state, and local recovery grants have become available to the City, including recovery grants under the Coronavirus Aid, Relief, and Economic Security Act of 2020 (the "CARES Act") and the American Rescue Plan Act of 2021 (the "American Rescue Plan") include substantial federal relief funds for state and local governments, including the City, to address the impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. The funds include the \$276 million Coronavirus Relief Fund (via the CARES Act) and the \$1.395 billion Coronavirus Local Fiscal Recovery Fund (via the American Rescue Plan), which represent the two largest allocations made to the City. The City expects to receive the Coronavirus Local Fiscal Recovery Funds under the American Rescue Plan in two tranches. The first half was received in June 2021 and the second half is expected to be received in the fourth quarter of Fiscal Year 2022.

The Aviation Fund was awarded \$116.4 million in CARES Act funding from the FAA. As of June 30, 2020, the Aviation Fund received and spent \$53.8 million on allowable expenses. The remaining \$62.6 million of awarded funds are anticipated to be fully utilized on allowable expenses within the timeframe permitted by the Federal Government.

Additionally, The City has received other Cares Act funding from various Federal Agencies to provide support for specific operations within the City.

## B. COMPONENT UNITS

### 1) Claims and Litigation

The following information represents the opinion and disclosures of the General Counsel of the School District concerning litigation and contingencies:

*Special Education and Civil Rights Claims* – There are estimated nine hundred fifty (400) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$3.8 million.

Of those, four hundred fifty (400) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, four hundred fifty (400) unfavorable outcomes are deemed probable in the aggregate of \$3.8 million.

*Other Matters* - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of \$46.7 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed reasonably possible in the amount of \$2.1 million in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of \$4.5 million and \$4.0 million, respectively, arising from personal injury and property damage claims and lawsuits.

*Constitutional Challenge- Duffield House Assocs., et al. v. City of Phila., et al., 445 EAL 2021.* This consolidated proceeding by commercial property owners and tenants in the City alleges that the City's 2018 property tax reassessment violated the Pennsylvania Constitution's Uniformity Clause. In 2018, plaintiffs requested a preliminary injunction to compel usage of the 2017 assessment levels for all tax bills. Because that request implicated the School District's Business Use and Occupancy Tax, the School District intervened as a defendant. The Court denied the plaintiffs' requested preliminary injunction but stayed their individually filed appeals from the Board of Revision of Taxes pending the outcome of the dispute. The Court conducted a trial on the merits in June 2019. On July 18, 2019, the Court issued an opinion, ruling against the City and in effect, adverse to the School District's interests. If that ruling stand, it would have an estimated \$35.0 million impact on the School District. The City and School District moved for post-trial relief in July 2019, which the Court denied. The City and School District filed appealed the Court's decision to Commonwealth Court in November 2019. On September 28, 2021, the Commonwealth Court denied the City's motion for reargument, exhausting the final avenue of appeal by right. Presently, the City and the District have sought review of this decision by filing a request for leave to appeal on October 28, 2021. If leave to appeal is denied, the stay on enforcing the judgment would be automatically lifted and the District's revenue for the next tax year would be reduced by the amount of credits issued by the City to satisfy the judgment. If leave is granted, a ruling would be delayed, possibly beyond tax year 2022. Although it is impossible to determine with any degree of certainty, based on our evaluation of the claims and defenses, the likelihood of an unfavorable outcome for the School District is reasonably possible in the amount of approximately \$35.0 million.

*Administrative Appeals in Pennsylvania Department of Education – Federal Funds Deduction Administrative Actions.* In these administrative actions, eight brick and mortar and cyber charter schools claim that the Pennsylvania Department of Education (“PDE”) impermissibly permits the School District (and all school districts) to deduct amounts constituting expenditures of federal funds from total expenditures when calculating per-pupil rates and those deductions are not expressly permitted under the Charter School Law. These administrative matters originated in actions brought by the charter schools against the School District and PDE in Pennsylvania Commonwealth Court. The Commonwealth Court in *Antonia Pantoja Charter School, et al. v. PA Department of Education et al.*, 289 M.D. 2017, related to the 2015-16 school year, ordered the matter to proceed at PDE, and the charter schools moved their federal funds claims for the 2016-17 (*Antonia Pantoja Charter School, et al. v. Pa Dept. of Educ., et al.*, 167 M.D. 2019) and 2017-18 (*Antonia Pantoja Charter School, et al. v. Pa Dept. of Educ., et al.*, 431 M.D. 2019) school years to PDE. For these claims, there are twelve docketed matters before PDE related to the 2015-2016 school year, thirteen docketed matters related to the 2016-2017 school year, and twelve docketed matters related to the 2017-2018 school year. The amounts at issue are: (i) in excess of \$10.7 million for the 2015-16 school year; (ii) in excess of \$8.5 million for the 2016-17 school year; (iii) in excess of \$6.4 million for the 2017-18 school year. These matters are assigned to a hearing officer. Hearings were held on November 9, 10, 12, and 17, 2020; January 15 and 19, 2021; and February 1, 2021, and the parties submitted post-hearing briefs to the hearing officer. The matters have been referred to the Pennsylvania Secretary of Education for a decision. Although it is impossible to determine with any degree of certainty, the likelihood of an unfavorable outcome on the federal funds’ deduction issue in the amounts details above is reasonably possible.

In Re: Adoption of an Amended Financial Plan for Chester Upland School District, Del. Cty. CCP, No. 12-9781. Chester Upland School District (“CUSD”) is a public school district serving the City of Chester, the Borough of Upland, and Chester Township in Delaware County, Pennsylvania. Upon petition by the Pennsylvania Secretary of Education, CUSD was placed into receivership on December 13, 2012. The receivership has been extended twice and currently terminates on June 3, 2022. A Revised Financial Recovery Plan was submitted to the court on December 19, 2019. In November 2019, Chester Community Charter School (“CCCS”) petitioned the court to direct CUSD and its Receiver to issue a Request for Proposals to convert CUSD schools to charter schools to take over the entire pre-K to 8th grade program, along with CUSD school buildings. In May 2020, the court accepted and approved the Financial Recovery Plan and authorized the Receiver to issue RFPs to address the options for the management and delivery of education for Pre-K through 12th grade, including converting CUSD schools to charter schools through a competitive RFP. Three proposals to convert CUSD schools to charter schools were submitted; however, the Receiver did not accept any of the proposals. The Receiver engaged Montgomery County IU to manage CUSD and the Receiver resigned. On August 31, 2021, the judge appointed a new Receiver, rejecting the individual PDE put forward to serve as Receiver.

Approximately 1,415 Philadelphia resident children were enrolled in CCCS during fiscal year 2020-2021, and enrollment for 2021-2022 is currently estimated at 1,473 Philadelphia resident students. For fiscal year 2020-2021, the School District paid approximately \$21.2 million to CCCS, with an outstanding amount of \$1.05 million owed back to the School District for reconciliation, and payments for 2021-22 are projected to be approximately \$21.3 million. Pursuant to the Charter School Law, the School District must also transport all children to a charter school, such as CCCS, within a ten-mile radius of Philadelphia. The transportation expenditure to transport Philadelphia resident students to CCCS was approximately \$1,155,615 in Fiscal Year 2020 (through March 13, 2020) and approximately \$363,160 in Fiscal Year 2021 and is projected to be approximately \$2,106,070 in Fiscal Year 2022.

The School District argued that due to the number of Philadelphia students attending CCCS, the School District has a stake in the matter, and that any CUSD schools converted to charter schools should have enrollment limited to CUSD residents. The court twice denied the Philadelphia School District’s petitions to intervene in the case. The School District cannot predict the potential financial impact if the Financial Recovery Plan is implemented in its present form or CUSD schools are converted to charter schools.

PGW

*Contingencies*

The Company's material legal proceedings are as described below. The Company believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. PGW records reserves for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. Management has assessed the following matters based on current information and made a judgment concerning their potential outcomes, considering the nature of the claim, the amount and nature of damages sought, and the probability of success. The Company is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities.

*Philadelphia Gas Works, Petitioner v. Pennsylvania Public Utility Commission and SBG Management Services, et. al., Respondents*, Pennsylvania Commonwealth Court Docket Nos. 1291 CD 2018, 1405 CD 2018 and 1404 CD 2018. These are an appeal by PGW dated October 19, 2018 from the Orders of the PUC issued (a) December 8, 2016, and the related Opinions and Orders denying reconsideration that were issued on May 18, 2018 and on August 23, 2018; (b) September 20, 2018; and (c) October 4, 2018.

Eight complaints were filed by landlords and by SBG Management Services, Inc. (collectively, SBG), the property management company that manages the day-to-day operations of certain residential properties owned by the landlords. The complaints which challenged amounts owed by SBG to PGW that, inter alia, were subject to late payment charges by PGW were divided into three groups by the Commission. The Commission's Regulations and PGW's Commission approved tariff authorizes PGW to charge interest (in the form of a late payment charge) at the rate of 1.5% per month on the overdue balance of a utility bill. In addition, if a customer does not pay for natural gas services provided by PGW, a municipal lien (which is created by operation of the Pennsylvania Municipal Claim and Tax Lien Law, 53 P.S. §§ 7101, et. seq. (MCTLL)) may be docketed with the appropriate local court. The Commission held that it lacks jurisdiction over unpaid amounts for natural gas service provided by PGW when a municipal lien is docketed under the MCTLL. Based upon that conclusion, the Commission determined that once a lien is docketed, PGW may not apply rules set forth in its Commission-approved tariff to the arrearage amount giving rise to the lien and may not show that arrearage amount on its monthly bills to nonpaying customers. The PUC assessed civil penalties in the total amount of approximately \$0.1 million against PGW, ordered PGW to refund sums totaling approximately \$1.0 million to the complainants, correct its practices in the assessment of late payment charges on unpaid balances, and modify the payment application sequence associated with partial payments. This would require PGW to make changes to PGW's billing system.

In response to the PUC's determination, PGW filed timely appeals with the Pennsylvania Commonwealth Court from the PUC's decision in each group of complaints. Oral argument took place on November 12, 2019.

On December 9, 2019, the Pennsylvania Commonwealth Court reversed the orders of the PUC related to amounts owed by SBG Management Services, Inc. to PGW that, inter alia, were subject to late payment charges by PGW.<sup>1</sup> The Commonwealth Court found that (i) the PUC committed an error of law in holding that it lacked jurisdiction over gas charges subject to docketed liens, (ii) the PUC committed an error of law in holding that PGW could not continue to impose late fees of 1.5% per month on delinquent accounts once the City docketed a lien, and (iii) the PUC erred in imposing penalties, ordering refunds of previously imposed late fees, and directing billing changes relating to charges subject to docketed liens.

On January 8, 2020 SBG petitioned the Pennsylvania Supreme Court (PA Supreme Court) to reverse the decision of the Commonwealth Court. On June 23, 2020, the PA Supreme Court granted SBG's petition for appeal. On December 1, 2020, the parties presented oral arguments before the PA Supreme Court. On April 29, 2021, the PA Supreme Court reversed the order of the Commonwealth Court, and held that liens filed of record under Section 7106(b) of the Municipal Claims and Tax Lien Law (53 P.S. § 7106(b)) have the effect of judgments, and accordingly accrue interest at the "lawful rate" of post-judgment interest of 6% per annum. (See 42 Pa.C.S. §8101; 41 P.S. § 202)

On May 13, 2021 PGW filed an "Application for Reargument" with the PA Supreme Court. In its Application, PGW requested that the PA Supreme Court grant reargument on a number of grounds, including due to PGW's assertion that the determination of the interest rate on liens was not properly the subject of the appeal before the PA Supreme Court.

On June 15, 2021, Philadelphia Gas Works' Application for Reargument was granted in part by the PA Supreme Court. The case was remanded to the Commonwealth Court for consideration of any outstanding issues. (PGW's Application for Relief (including the request for reargument) was denied in all other respects.) On August 3, 2021, the Commonwealth Court issued an order establishing a Supplemental Briefing Schedule for the matter on remand, and also fixed the questions on remand.<sup>2</sup> The parties' briefs were filed in September/October of 2021. Oral argument is scheduled for February 2022 by the Commonwealth Court.

<sup>1</sup> PGW did not appeal the decision of the PUC regarding partial payment application. This matter was independently resolved per a settlement agreement reached with the Office of Consumer Advocate, and approved by the PUC on June 13, 2019, as part of a prior PGW's base rate case. Per the settlement, PGW agreed to modify its partial payment allocation practices so that no priority is given to the satisfaction of late payment charges.

<sup>2</sup> Questions on remand: 1. Whether the PA Supreme Court's opinion and order in Appeal of: SBG Management Services, 249 A.3d 963 (Pa. No. 14 EAP 2020, filed April 29, 2021), applies retroactively to the case at bar; 2. Whether the [Commission's] orders violate [PGW's] constitutional rights to due process by, without prior notice, announcing, applying and enforcing a new legal interpretation against [PGW] in the context of individual consumer complaints; 3. Whether substantial evidence of record supports the Commission's imposition of a civil penalty and whether the Commission abused its discretion and acted arbitrarily and capriciously in imposing penalties; 4. Whether the Commission's mandate for system-wide modifications is arbitrary and capricious and an abuse of the Commission's discretion; and 5. Whether a remand is appropriate to the Commission for a determination of [PGW]'s compliance with the mandate for system-wide modifications or for imposition of a new period in which [PGW] must comply.



*SBG Management Services, Inc. Et Al. v. City of Philadelphia c/o Philadelphia Gas Works.* In a separate, but related matter to the SBG matter described above, various and several new SBG entities filed a Praecipe for Writ of Summons against “the City of Philadelphia c/o PGW” in the Philadelphia Court of Common Pleas on April 29, 2021, and docketed a complaint on August 24, 2021. The complaint sets forth a cause of action for “recoupment” (Count I), a claim for unjust enrichment (Count II), a cause of action for fraud (Count III), and a claim for violation of the UTCPL (Count IV). Under SBG’s view of the decision of the Pennsylvania Supreme Court (PGW v. PUC, 249 A.3d 963 (Pa. 2021)) in the above-described litigation, SBG is entitled to damages based on the amounts paid by them to satisfy the judgments (docketed municipal liens) against them for unpaid gas service. In their complaint, Plaintiffs allege they have incurred hundreds of millions of dollars in damages from PGW’s billing practices since at least 2004 and are seeking a refund of late payment charges paid to PGW in excess of \$10.2 million, as well as other substantial (including punitive and treble) damages, interest, costs, fees and penalties based upon allegations of unjust enrichment, fraud, and unfair trade practices arising from PGW’s late payment charges. PGW filed its response to the complaint in September 2021, wherein it raised objections and defenses to all of the causes of action raised in the complaint. At this time PGW is awaiting the Court’s ruling on PGW’s preliminary objections filed with the Court on September 13, 2021. Those preliminary objections have been briefed by the parties, but have not been resolved by the Court.

## 9 SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2021 through and including February 25, 2022. The following events are described below:

### PRIMARY GOVERNMENT

1. In July 2021, the City issued a total of \$302.0 million in Airport Revenue and Refunding Bonds, Series 2021 Bonds. The Series 2021 Bonds are being issued for the purpose of providing funds, together with other available moneys, to (i) fund a deposit to the Project Fund to finance certain capital projects, (ii) finance capitalized interest on a portion of the Series 2021 Bonds, (iii) refund all or a portion of the City’s Outstanding Airport Revenue Refunding Bonds, Series 2011, consisting of the Series 2011A (AMT) Bonds (the “2011A Bonds”) and the Series 2011B (AMT) Bonds (the “2011B Bonds” and together with the 2011A Bonds, the “Refunded Bonds”), (iv) pay the costs of the bond insurance policy and (v) pay the costs of issuance of the Series 2021 Bonds.
2. In August 2021, the City issued a total of \$426.8 million in General Obligations Bonds, consisting of the Series 2021A Tax Exempt (\$294.7 million) and Series 2021B, Federally Taxable (\$132.1 million). The 2021A bonds were issued for the purpose of providing funds to (i) pay all or a portion of the costs of certain projects in the City’s capital budgets and (ii) pay the costs relating to the issuance of the 2021A Bonds. The 2021B bonds were issued for the purpose of providing funds to (i) refund a portion of the City’s outstanding General Obligation Refunding Bonds, Series 2014A, and (ii) pay the costs relating to the issuance of the 2021B Bonds.
3. In October 2021, the City issued a total of \$98.6 million in Philadelphia Redevelopment Authority – City Service Agreement Revenue Bonds consisting of (\$89.7) million of the City Service Agreement Revenue Bonds, Series A of 2021 (Federally Taxable Social Bonds) and (\$8.9) million of the City Service Agreement Revenue Bonds – Series B of 2021 (Tax-Exempt Social Bonds). The proceeds of the 2021A Bonds are being issued to (i) finance certain cost of the Program not otherwise financed by the 2021B Bonds, including certain Program-wide administrative costs, and (ii) pay the cost of issuing the 2021A Bonds. The proceeds of the 2021B Bonds are being issued to (i) finance certain cost related to the Basic Systems Repair and the Adaptive Modifications components of the Program, and (ii) pay the cost of issuing the 2021B Bonds.
4. In October 2021, the City issued \$231.9 million in Water and Wastewater Revenue Bonds. Series 2021 C. The Water and Wastewater Revenue Bonds. Series 2021 C bonds were issued to provide funds to finance (i) capital improvements to the System and (ii) the costs of issuance relating to the 2021C Bonds.
5. In October 2021, the City issued \$5.8 million in Water and Wastewater Revenue Bonds, Series 2021D (Pennvest Loan). Series 2021D Bonds were issued to provide funds to finance capital improvements to the System.
6. In December 2021, the City renegotiated with PNC bank to extend to June 2025, the mandatory tender due on the Airport Revenue Bonds Series 2017 (Direct Purchase Federally Taxable Loan). As part of this extension, the interest rate will be revised from the current 2.797% to 1.513%. As part of the closing, the City will be required to pay PNC bank a “make whole” termination payment equal to the interest PNC bank will be foregoing by lowering the interest rate.

7. On January 27, 2022, the Division of Aviation defeased the Philadelphia Parking Authority's (PPA) airport parking bonds outstanding in the aggregate principal amount of \$53.8 million, assumed ownership of airport garages from the PPA, and terminated the PPA's leasehold interest in airport land. The Division used funds from its commercial paper program and available parking bond reserves to repay the PPA's outstanding airport parking bonds. The Division entered into a new parking management agreement with the PPA that commenced on January 26, 2022 and terminates on December 31, 2022. The management agreement contains a unilateral option for the Division to extend the agreement for a term of up to ten additional months, for an outside termination date of October 31, 2023.

#### COMPONENT UNITS

##### 1. SDP Subsequent Events

###### a. Tax Anticipation Revenue Notes (TRAN)

In July 2021, as part of the annual process to obtain short term financing (in anticipation of the receipt of taxes and revenues) through the issuance of tax and revenue anticipation notes (TRANS), the Board of Education, through a resolution, authorized the issuance and sale of TRAN Notes which were issued as fixed rate notes in the aggregate principal amount of up to \$550.0 million undertaken in two series, each not to exceed \$275.0 million, with a maturity date of June 29, 2022.

On July 15, 2021, the Board of Education authorized the issuance and sale of the Series A and Series B of Tax and Revenue Anticipation Notes of 2021-2022 in the amount of \$550.0 million. The initial \$150.0 million of Series A notes and the \$150.0 million of Series B Notes, were purchased by two separate banks through a negotiated sale. The initial purchases of Series A1 and B1 notes were issued as fixed rate notes at a rate of 0.29% which was locked in based on rates as of June 28, 2021. Note proceeds were received on the closing date of July 21, 2021. The remaining \$250.0 million in Notes were purchased on October 15, 2021, at a rate of 0.29% and 0.31% for the Series A2 and Series B2 notes, respectively. The Notes were issued for the purpose of financing the current operating expenses incurred during Fiscal Year 2022.

###### b. Federal Relief Appropriations Due to COVID-19

The District received federal awards in Fiscal Year 2020 pursuant to the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, which was signed by President Trump into law on March 27, 2020 for addressing the ongoing COVID-19 pandemic. The District received approximately \$138.7 million to be spent in Fiscal Year 2021 through September 30, 2022, less an amount for Equitable Share to non-public schools. The District receiving additional funds in fiscal year 2021 pursuant to the Coronavirus Response and Relief Supplemental Appropriations Act, Pub. L. No 116-260, passed by Congress and signed by President Trump at the end of December, 2020. The District received \$555.1 million to be spent in fiscal year 2021 forward through September 30, 2023. The District also receiving additional funds in fiscal year 2021 pursuant to the American Rescue Plan Act, Pub. L. No 117-2, passed by Congress and signed by President Biden on March 11, 2021. The District received \$1.217 billion to be spent in fiscal year 2021 forward through September 30, 2024.

###### c. Settlement Agreement with Discovery Charter School

Based on a final settlement agreement reached in December 2021 Discovery Charter School agreed to pay the School District of Philadelphia \$3.4 million regarding enrollment disputes arising from the 2012-13 through and including the 2016-17 school years. The payment will be made in four (4) installments, the first of \$1.1 million by January 31, 2022, and three (3) additional installments of \$750,000 each beginning with January 31, 2023, January 31, 2024 and January 31, 2025.

##### 2. PHA Subsequent Events:

*Vehicle Lease* - On April 7, 2017, PHA and Enterprise Fleet Management, Inc. (Enterprise) executed a contract whereby PHA will commence leasing vehicles from Enterprise for a term of 5 years. In fiscal 2022, Enterprise will lease an additional 72 vehicles to PHA in Phase V for an estimated budget of \$2.6 million.

*Harrison Senior Tower* – Construction of 112 rental units to commence in fiscal year 2022 with an estimated costs of \$35.6 million. Estimated completion of construction is August 31, 2022. PHA committed to provide a loan for \$26.5 million in May 2021, which includes costs paid by PHA of \$1.3 million.

3. **PGW** Subsequent Event:

PGW evaluated events and transactions that occurred between August 31, 2021 and December 22, 2021, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements and noted the following:

**a) Tenth Series Bonds (1998 Ordinance) Defeasance**

On October 1, 2021 PGW accelerated payment of \$10.9 million of principal for the City of Philadelphia, Pennsylvania Gas Works Revenue Refunding Bonds, Tenth Series issued under the 1998 General Ordinance with internally generated funds. The Tenth Series Bonds were redeemed using PGW's cash and certain amounts released from the PGW sinking Fund Reserve.

**b) New Gas Works Revenue Notes Ordinance**

In September 2021, an ordinance was introduced in City council which extended the expiration date of the authority of the City to issue Gas Works Revenue Notes in a principal amount that, together with interest, may not exceed \$150.0 million outstanding at any one time. The Ordinance was passed by City Council on October 14, 2021 and was signed by the Mayor on October 20, 2021. The expiration date of this Ordinance is October 20, 2026.

**c) Note Purchase and Credit Agreement Extension**

PGW's notes are supported by a Note Purchase and Credit Agreement and a security interest in PGW's revenues. The stated expiration of the existing Note Purchase and Credit Agreement was extended on October 1, 2021 from December 1, 2021 to June 30, 2022.

4. **PPA** Subsequent Event:

On September 1, 2021, PPA issued Airport Parking Revenue Refunding Bonds, Series of 2021 with PNC Bank N.A. to refund Airport Parking Revenue Bonds, Series 2009 held by the Bank of New York Mellon Trust Company, N.A. The aggregate principal amount of the new debt issuance is \$33,510,813 with a maximum interest rate of 4.50%.

On September 1, 2021, PPA refinanced Airport Parking Garage Revenue Bond Anticipation Notes, Series 2015 and 2016 which were held by PNC Bank N.A. via issuance of Airport Fund Garage Subordination Bonds (Bond Anticipation Notes), Series of 2021. The aggregate principal amount of the new debt issuance is \$20,291,555 with a maximum interest rate of 4.50%.





## **Required Supplementary Information**

**(Other than Management's Discussion and Analysis)**

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

**Exhibit XIV**

*Amounts in thousands of USD*

|  | <u>Budgeted Amounts</u> |                  |                  | Final Budget<br>to Actual<br>Positive<br>(Negative) |
|--|-------------------------|------------------|------------------|---|
|  | <u>Original</u>         | <u>Final</u>     | <u>Actual*</u>   |   |
| <b><u>Revenues</u></b>                                     |                         |                  |                  |   |
| Tax Revenue  | 3,330,098               | 3,283,999        | 3,423,857        | 139,858   |
| Locally Generated Non-Tax Revenue                          | 357,890                 | 337,175          | 344,246          | 7,071   |
| Revenue from Other Governments                             | 768,197                 | 844,325          | 836,598          | (7,727)   |
| Revenue from Other Funds                                   | <u>125,608</u>          | <u>149,748</u>   | <u>87,789</u>    | <u>(61,959)</u>                                     |
| Total Revenues   | 4,581,793               | 4,615,247        | 4,692,490        | 77,243  |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |                  |                  |   |
| 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                                    | <u>636,976</u>          | <u>602,094</u>   | <u>606,485</u>   | <u>(4,391)</u>                                      |
| 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                         | <u>25,000</u>           | <u>25,000</u>    | <u>-</u>         | <u>25,000</u>                                       |
| Total Expenditures and Encumbrances                        | <u>4,804,851</u>        | <u>4,948,472</u> | <u>4,717,754</u> | <u>230,718</u>                                      |
| Operating Surplus (Deficit) for the Year                   | <u>(223,058)</u>        | <u>(333,225)</u> | <u>(25,264)</u>  | <u>307,961</u>                                      |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | 254,908                 | 290,673          | 290,672          | (1)   |
| <b><u>Operations in Respect to Prior Fiscal Years</u></b>  |                         |                  |                  |   |
| Commitments Cancelled - Net                                | 24,000                  | 96,702           | 33,134           | (63,568)  |
| Funding for Future Obligations                             | <u>(4,500)</u>          | <u>(4,500)</u>   | <u>-</u>         | <u>4,500</u>  |
| Adjusted Fund Balance, July 1, 2020                        | <u>274,408</u>          | <u>382,875</u>   | <u>323,806</u>   | <u>(59,069)</u>                                     |
| Fund Balance Available<br>for Appropriation, June 30, 2021 | <u>51,350</u>           | <u>49,650</u>    | <u>298,542</u>   | <u>248,892</u>                                      |

\* Refer to the notes to required supplementary information.

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

**Exhibit XV**

*Amounts in thousands of USD*

|  | <u>Budgeted Amounts</u> |              |                | <u>Final Budget<br/>to Actual<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|--------------|----------------|---|
|  | <u>Original</u>         | <u>Final</u> | <u>Actual*</u> |   |
| <b><u>Revenues</u></b>                                     |                         |              |                |   |
| Locally Generated Non-Tax Revenue                          | 5,000                   | 966          | 754            | (212)   |
| Revenue from Other Governments                             | 1,295,000               | 1,180,434    | 1,215,730      | 35,296  |
| Total Revenues   | 1,300,000               | 1,181,400    | 1,216,484      | 35,084  |
| <b><u>Other Sources</u></b>                                |                         |              |                |   |
| Increase in Unreimbursed Commitments                       | -                       | -            | 9,643          | 9,643   |
| Total Revenues and Other Sources                           | 1,300,000               | 1,181,400    | 1,226,127      | 44,727  |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |              |                |   |
| 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                   | -                       | (118,600)    | 64,905         | 183,505   |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | -                       | 101,238      | 101,238        | -   |
| <b><u>Operations in Respect to Prior Fiscal Years</u></b>  |                         |              |                |   |
| Commitments Cancelled - Net                                | -                       | -            | 6,487          | 6,487   |
| Prior Period Adjustments                                   | -                       | (101,238)    | -              | 101,238   |
| Adjusted Fund Balance, July 1, 2020                        | -                       | -            | 107,725        | 107,725   |
| Fund Balance Available<br>for Appropriation, June 30, 2021 | -                       | (118,600)    | 172,630        | 291,230   |

\* Refer to the notes to required supplementary information.

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

**Exhibit XVI**

*Amounts in thousands of USD*

|  | <u>Budgeted Amounts</u> |              |                | <u>Final Budget<br/>to Actual<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|--------------|----------------|---|
|  | <u>Original</u>         | <u>Final</u> | <u>Actual*</u> |   |
| <b><u>Revenues</u></b>                                     |                         |              |                |   |
| Locally Generated Non-Tax Revenue                          | 127,299                 | 118,895      | 64,214         | (54,681)  |
| Revenue from Other Governments                             | 2,660,279               | 1,864,500    | 1,207,733      | (656,767)   |
| Total Revenues   | 2,787,578               | 1,983,395    | 1,271,947      | (711,448)   |
| <b><u>Other Sources</u></b>                                |                         |              |                |   |
| Increase in Unreimbursed Commitments                       | -                       | -            | 134,292        | 134,292   |
| Increase in Financed Reserves                              | -                       | -            | (1,877)        | (1,877)   |
| Total Revenues and Other Sources                           | 2,787,578               | 1,983,395    | 1,404,362      | (579,033)   |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |              |                |   |
| Personal Services  | 256,874                 | 213,088      | 158,881        | 54,207  |
| 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      | 201,954        | 109,587   |
| Purchase of Services                                       | 1,178,635               | 1,388,838    | 1,153,520      | 235,318   |
| Materials and Supplies                                     | 81,855                  | 47,753       | 21,024         | 26,729  |
| 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    | 1,500,800      | 1,111,167   |
| Operating Surplus (Deficit) for the Year                   | -                       | (628,572)    | (96,438)       | 532,134   |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | -                       | (287,099)    | (314,164)      | (27,065)  |
| <b><u>Operations in Respect to Prior Fiscal Years</u></b>  |                         |              |                |   |
| Commitments Cancelled - Net                                | -                       | -            | 53,954         | 53,954  |
| Revenue Adjustments - Net                                  | -                       | -            | (396)          | (396)   |
| Prior Period Adjustments                                   | -                       | 287,099      | -              | (287,099)   |
| Adjusted Fund Balance, July 1, 2020                        | -                       | -            | (260,606)      | (260,606)   |
| Fund Balance Available<br>for Appropriation, June 30, 2021 | -                       | (628,572)    | (357,044)      | 271,528   |

\* Refer to the notes to required supplementary information.

**City of Philadelphia - Schedule of Changes in Net OPEB Liability and Related Ratios (Amounts in thousands USD)**

|  | FYE 2020         | FYE 2019         | FYE 2018         | FYE 2017         |
|--|------------------|------------------|------------------|------------------|
| <b>Total OPEB Liability</b>  |                  |                  |                  |                  |
| Service Cost (BOY)   | 93,900           | 82,400           | 81,800           | 89,300           |
| Interest (includes interest on service cost)                                   | 69,200           | 71,900           | 67,900           | 56,100           |
| Changes of benefit terms   | -                | -                | -                | -                |
| Differences between expected and actual experience                             | 18,100           | -                | 56,800           | -                |
| Changes of assumptions   | 75,300           | 54,000           | (147,800)        | (105,600)        |
| Benefit payments, including refunds of member contributions                    | (104,600)        | (96,900)         | (96,400)         | (114,800)        |
| <b>Net change in total OPEB liability</b>                                      | <b>151,900</b>   | <b>111,400</b>   | <b>(37,700)</b>  | <b>(75,000)</b>  |
| <b>Total OPEB liability - beginning</b>  | <b>1,935,300</b> | <b>1,823,900</b> | <b>1,861,600</b> | <b>1,936,600</b> |
| <b>Total OPEB liability - ending</b>   | <b>2,087,200</b> | <b>1,935,300</b> | <b>1,823,900</b> | <b>1,861,600</b> |
| <b>Plan fiduciary net position</b>   |                  |                  |                  |                  |
| Contributions - employer   | 104,600          | 96,900           | 96,400           | 114,800          |
| Contributions - non-employer   | -                | -                | -                | -                |
| Contributions - member   | -                | -                | -                | -                |
| Net investment income  | -                | -                | -                | -                |
| Benefit payments, including refunds of member contributions                    | (104,600)        | (96,900)         | (96,400)         | (114,800)        |
| Administrative expense   | -                | -                | -                | -                |
| <b>Net change in plan fiduciary net position</b>                               | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Plan fiduciary net position - beginning</b>                                 | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Plan fiduciary net position - ending</b>                                    | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Net OPEB liability - ending</b>   | <b>2,087,200</b> | <b>1,935,300</b> | <b>1,823,900</b> | <b>1,861,600</b> |
| <b>Plan fiduciary net position as a percentage of the total OPEB liability</b> | <b>0.00%</b>     | <b>0.00%</b>     | <b>0.00%</b>     | <b>0.00%</b>     |
| <b>Covered-employee payroll</b>  | <b>1,921,200</b> | <b>1,842,600</b> | <b>1,805,400</b> | <b>1,744,700</b> |
| <b>Net OPEB liability as a percentage of covered-employee payroll</b>          | <b>108.64%</b>   | <b>105.03%</b>   | <b>101.02%</b>   | <b>106.70%</b>   |

Note: The schedules of changes in net OPEB liability and related ratios are intended to show information for 10 years. Additional years will be displayed as they become available

**City of Philadelphia - Municipal Pension Plan - Schedule of Changes in Net Pension Liability (Amounts in thousands USD)**

|   | FYE 2021          | FYE 2020          | FYE 2019          | FYE 2018          | FYE 2017          | FYE 2016          | FYE 2015          |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Total Pension Liability</b>  |                   |                   |                   |                   |                   |                   |                   |
| Service Cost (MOY)  | 187,598           | 190,457           | 183,756           | 164,137           | 157,607           | 148,370           | 143,556           |
| Interest (includes interest on service cost)                                      | 884,099           | 871,381           | 857,349           | 843,172           | 823,959           | 802,450           | 791,299           |
| Changes of benefit terms  | -                 | -                 | 378               | 4,065             | -                 | -                 | -                 |
| Differences between expected and actual experience                                | (2,417)           | 9,483             | 11,098            | 28,937            | 103,879           | 151,919           | 34,910            |
| Changes of assumptions  | 57,076            | -                 | 53,489            | 106,022           | 51,441            | 85,148            | 48,146            |
| Benefit payments, including refunds of member contributions                       | (891,445)         | (862,198)         | (842,469)         | (828,266)         | (821,495)         | (889,343)         | (881,465)         |
| <b>Net change in total pension liability</b>                                      | <b>234,911</b>    | <b>209,123</b>    | <b>263,601</b>    | <b>318,067</b>    | <b>315,391</b>    | <b>298,544</b>    | <b>136,446</b>    |
| <b>Total Pension liability - beginning</b>  | <b>11,983,392</b> | <b>11,774,269</b> | <b>11,510,668</b> | <b>11,192,601</b> | <b>10,877,210</b> | <b>10,578,666</b> | <b>10,442,220</b> |
| <b>Total Pension liability - ending</b>   | <b>12,218,303</b> | <b>11,983,392</b> | <b>11,774,269</b> | <b>11,510,668</b> | <b>11,192,601</b> | <b>10,877,210</b> | <b>10,578,666</b> |
| <b>Plan fiduciary net position</b>  |                   |                   |                   |                   |                   |                   |                   |
| Contributions - employer  | 788,483           | 768,720           | 797,806           | 781,984           | 706,237           | 660,247           | 577,195           |
| Contributions - member  | 111,273           | 111,825           | 99,180            | 83,289            | 73,607            | 67,055            | 58,658            |
| Net investment income   | 1,643,490         | 87,151            | 303,736           | 440,327           | 566,625           | (145,682)         | 13,838            |
| Benefit payments, including refunds of member contributions                       | (891,445)         | (862,198)         | (842,469)         | (828,266)         | (821,495)         | (889,343)         | (881,666)         |
| Administrative expense  | (9,709)           | (10,991)          | (11,155)          | (10,123)          | (8,874)           | (8,554)           | (10,478)          |
| <b>Net change in plan fiduciary net position</b>                                  | <b>1,642,092</b>  | <b>94,507</b>     | <b>347,098</b>    | <b>467,211</b>    | <b>516,100</b>    | <b>(316,277)</b>  | <b>(242,453)</b>  |
| <b>Plan fiduciary net position - beginning</b>                                    | <b>5,782,891</b>  | <b>5,688,384</b>  | <b>5,341,286</b>  | <b>4,874,075</b>  | <b>4,357,975</b>  | <b>4,674,252</b>  | <b>4,916,705</b>  |
| <b>Plan fiduciary net position - ending</b>                                       | <b>7,424,983</b>  | <b>5,782,891</b>  | <b>5,688,384</b>  | <b>5,341,286</b>  | <b>4,874,075</b>  | <b>4,357,975</b>  | <b>4,674,252</b>  |
| <b>Net pension liability - ending</b>   | <b>4,793,320</b>  | <b>6,200,501</b>  | <b>6,085,885</b>  | <b>6,169,382</b>  | <b>6,318,526</b>  | <b>6,519,235</b>  | <b>5,904,414</b>  |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | <b>60.77%</b>     | <b>48.26%</b>     | <b>48.31%</b>     | <b>46.40%</b>     | <b>43.55%</b>     | <b>40.07%</b>     | <b>44.19%</b>     |
| <b>Covered payroll</b>  | <b>1,878,374</b>  | <b>1,921,217</b>  | <b>1,842,555</b>  | <b>1,805,400</b>  | <b>1,744,728</b>  | <b>1,676,549</b>  | <b>1,597,849</b>  |
| <b>Net pension liability as a percentage of covered payroll</b>                   | <b>255.18%</b>    | <b>322.74%</b>    | <b>330.30%</b>    | <b>341.72%</b>    | <b>362.15%</b>    | <b>388.85%</b>    | <b>369.52%</b>    |

**City of Philadelphia**  
**Required Supplementary Information**  
**Other Post Employment Benefits (OPEB) and Pension Plans**

**City of Philadelphia Schedule of Collective Contributions (Based on Minimum Municipal Obligations)**

|  | Last 10 Fiscal Years |           |           |           |           |           |           |           |           |           |
|--|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Amounts in Thousands |           |           |           |           |           |           |           |           |           |
|  | FYE 2021             | FYE 2020  | FYE 2019  | FYE 2018  | FYE 2017  | FYE 2016  | FYE 2015  | FYE 2014  | FYE 2013  | FYE 2012  |
| Actuarially determined Contribution                                  | 673,884              | 675,751   | 668,281   | 661,257   | 629,620   | 594,975   | 556,030   | 523,368   | 727,604   | 534,039   |
| Contributions in Relation to the Actuarially Determined Contribution | 788,483              | 768,721   | 797,806   | 781,984   | 706,237   | 660,247   | 577,195   | 553,179   | 781,823   | 555,690   |
| Contribution Deficiency/(Excess)                                     | (114,599)            | (92,970)  | (129,525) | (120,727) | (76,617)  | (65,272)  | (21,165)  | (29,811)  | (54,219)  | (21,651)  |
| Covered Payroll  | 1,878,374            | 1,921,217 | 1,842,555 | 1,805,400 | 1,744,728 | 1,676,549 | 1,597,849 | 1,495,421 | 1,429,723 | 1,372,174 |
| Contributions as a Percentage of Covered Payroll                     | 41.98%               | 40.01%    | 43.30%    | 43.31%    | 40.48%    | 39.38%    | 36.12%    | 36.99%    | 54.68%    | 40.50%    |

**City of Philadelphia Schedule of Collective Contributions (Based on Revenue Recognition Policy)**

|  | Last 10 Fiscal Years |           |           |           |           |           |           |           |           |           |
|--|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Amounts in Thousands |           |           |           |           |           |           |           |           |           |
|  | FYE 2021             | FYE 2020  | FYE 2019  | FYE 2018  | FYE 2017  | FYE 2016  | FYE 2015  | FYE 2014  | FYE 2013  | FYE 2012  |
| Actuarially determined Contribution                                  | 712,978              | 704,589   | 680,808   | 662,139   | 629,620   | 594,975   | 556,030   | 523,368   | 727,604   | 534,039   |
| Contributions in Relation to the Actuarially Determined Contribution | 788,483              | 768,721   | 797,806   | 781,984   | 706,237   | 660,247   | 577,195   | 553,179   | 781,823   | 555,690   |
| Contribution Deficiency/(Excess)                                     | (75,505)             | (64,132)  | (116,998) | (119,845) | (76,617)  | (65,272)  | (21,165)  | (29,811)  | (54,219)  | (21,651)  |
| Covered Payroll  | 1,878,374            | 1,902,161 | 1,842,555 | 1,805,400 | 1,744,728 | 1,676,549 | 1,597,849 | 1,495,421 | 1,429,723 | 1,372,174 |
| Contributions as a Percentage of Covered Payroll                     | 41.98%               | 40.41%    | 43.30%    | 43.31%    | 40.48%    | 39.38%    | 36.12%    | 36.99%    | 54.68%    | 40.50%    |

**City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)**

|  | Last 10 Fiscal Years |           |           |           |           |           |           |           |           |           |
|--|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Amounts in Thousands |           |           |           |           |           |           |           |           |           |
|  | FYE 2021             | FYE 2020  | FYE 2019  | FYE 2018  | FYE 2017  | FYE 2016  | FYE 2015  | FYE 2014  | FYE 2013  | FYE 2012  |
| Actuarially determined Contribution                                  | 856,456              | 839,691   | 874,706   | 871,802   | 881,356   | 846,283   | 798,043   | 823,885   | 738,010   | 722,491   |
| Contributions in Relation to the Actuarially Determined Contribution | 788,483              | 768,721   | 797,806   | 781,984   | 706,237   | 660,247   | 577,195   | 553,179   | 781,823   | 555,690   |
| Contribution Deficiency/(Excess)                                     | 67,973               | 70,970    | 76,900    | 89,818    | 175,119   | 186,036   | 220,847   | 270,706   | (43,813)  | 166,801   |
| Covered Payroll  | 1,878,374            | 1,902,161 | 1,842,555 | 1,805,400 | 1,744,728 | 1,676,549 | 1,597,849 | 1,495,421 | 1,429,723 | 1,372,174 |
| Contributions as a Percentage of Covered Payroll                     | 41.98%               | 40.41%    | 43.30%    | 43.31%    | 40.48%    | 39.38%    | 36.12%    | 36.99%    | 54.68%    | 40.50%    |

**Notes to Schedule**

|  |  |
|--|--|
| Valuation Date   | July 1, 2019   |
| Timing   | Actuarially determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year.   |
| Key Methods and Assumptions Used to Determine Contribution Rates:  |  |
| Actuarial cost method  | Entry Age  |
| Asset valuation method   | Ten-year smoothed market   |
| Amortization method  | Gain/Losses are amortized over closed 20-year periods, assumption changes over 15 years, benefit changes for actives over 10 year, and benefit changes for inactive members over 1 year, and plan changes mandated by state over 20 years.                                   |
|  | Under the City's Funding policy, the initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019. Future Amortization periods follow the MMO funding policy.   |
|  | Under the MMO Funding Policy, the July 1, 2009 unfunded actuarial liability (UAL) was "fresh started", to be amortized over 30 years, ending June 30, 2039. This is level dollar amortization of the UAL.  |
|  | Under the RRP Funding Policy, sales tax revenue and additional member contributions are dedicated to fund the unfunded liability instead of reducing the City's obligation such that this revenue is in addition to the MMO would have been without these additional assets. |
| Discount rate  | 7.55%  |
| Amortization growth rate   | 3.30%  |
| Salary increases   | Age based salary scale separated by employee classification  |
| Mortality  | RP-2014 Mortality Tables projected from base year of 2006 to 2021 using mortality improvement scale MP-2017  |
| A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2021 can be found in the July 1, 2019 actuarial valuation. |  |

City of Philadelphia  
Required Supplementary Information  
Other Post Employment Benefits (OPEB) and Pension Plans

Exhibit XVII

**Philadelphia Gas Works - Schedule of Changes in Net Pension Liability***(Amounts in thousands USD)*

|  | FYE 2021       | FYE 2020        | FYE 2019       | FYE 2018       | FYE 2017       | FYE 2016        |
|--|----------------|-----------------|----------------|----------------|----------------|-----------------|
| Total Pension Liability                            |                |                 |                |                |                |                 |
| Service Cost                                       | 7,178          | 6,400           | 6,554          | 6,103          | 5,823          | 5,400           |
| Interest Cost                                      | 55,454         | 56,893          | 57,240         | 55,718         | 55,443         | 55,903          |
| Changes in Benefit Terms                           | -              | -               | -              | -              | -              | -               |
| Differences between expected and actual experience | 2,057          | (3,034)         | (12,089)       | 15,706         | 2,182          | (8,841)         |
| Changes in assumptions                             | 22,923         | (24,891)        | (1,834)        | (3,864)        | (7,952)        | 26,748          |
| Benefit Payments                                   | (56,646)       | (55,061)        | (53,893)       | (52,627)       | (51,376)       | (50,447)        |
| <b>Net Change in Total Pension Liability</b>       | <b>30,966</b>  | <b>(19,693)</b> | <b>(4,022)</b> | <b>21,036</b>  | <b>4,120</b>   | <b>28,763</b>   |
| <b>Total Pension Liability (Beginning)</b>         | <b>780,792</b> | <b>800,485</b>  | <b>804,507</b> | <b>783,471</b> | <b>779,351</b> | <b>750,588</b>  |
| <b>Total Pension Liability (Ending)</b>            | <b>811,758</b> | <b>780,792</b>  | <b>800,485</b> | <b>804,507</b> | <b>783,471</b> | <b>779,351</b>  |
| Plan Fiduciary Net Position                        |                |                 |                |                |                |                 |
| Contributions-Employer                             | 29,728         | 29,414          | 28,570         | 29,143         | 27,918         | 21,123          |
| Contributions - Member                             | 1,607          | 1,519           | 1,249          | 1,078          | 852            | 602             |
| Net Investment Income                              | 155,840        | 14,286          | 34,260         | 44,310         | 61,002         | 2,872           |
| Benefit Payments                                   | (56,646)       | (55,061)        | (53,893)       | (52,627)       | (51,376)       | (50,446)        |
| Administrative Expense                             | (217)          | (168)           | (192)          | (184)          | (129)          | (1,611)         |
| Other  | -              | -               | -              | -              | -              | -               |
| <b>Net Change in Fiduciary Net Position</b>        | <b>130,312</b> | <b>(10,010)</b> | <b>9,994</b>   | <b>21,720</b>  | <b>38,267</b>  | <b>(27,460)</b> |
| <b>Plan Fiduciary Net Position (Beginning)</b>     | <b>543,230</b> | <b>553,240</b>  | <b>543,246</b> | <b>521,526</b> | <b>483,259</b> | <b>510,719</b>  |
| <b>Plan Fiduciary Net Position (Ending)</b>        | <b>673,542</b> | <b>543,230</b>  | <b>553,240</b> | <b>543,246</b> | <b>521,526</b> | <b>483,259</b>  |
| <b>Net Pension Liability (Ending)</b>              | <b>138,216</b> | <b>237,562</b>  | <b>247,245</b> | <b>261,261</b> | <b>261,945</b> | <b>296,092</b>  |
| Total Pension Liability                            | 811,758        | 780,792         | 800,485        | 804,507        | 783,471        | 779,351         |
| Plan Fiduciary Net Position                        | 673,542        | 543,230         | 553,240        | 543,246        | 521,526        | 483,259         |
| <b>Net Pension Liability (Ending)</b>              | <b>138,216</b> | <b>237,562</b>  | <b>247,245</b> | <b>261,261</b> | <b>261,945</b> | <b>296,092</b>  |
| Net Position as a percentage of Pension Liability  | 82.97%         | 69.57%          | 69.11%         | 67.53%         | 66.57%         | 62.01%          |
| Covered Payroll                                    | 97,959         | 95,934          | 98,454         | 101,271        | 94,768         | 90,860          |
| Net Pension Liability as a percentage of Payroll   | 141.10%        | 247.63%         | 251.13%        | 257.98%        | 276.41%        | 325.88%         |

Valuation Date: actuarial liabilities and assets are calculated as of the Fiscal Year end date.

Note: The schedule of changes in net pension liability and related ratios are intended to show information for 10 years. Additional years will be displayed as they become available

**Philadelphia Gas Works - Schedule of Actuarially Determined Contribution***(Amounts in thousands USD)*

|  | FYE 2021 | FYE 2020 | FYE 2019 | FYE 2018 | FYE 2017 | FYE 2016 |
|--|----------|----------|----------|----------|----------|----------|
| Actuarially Determined Contribution                                  | 30,000   | 26,844   | 28,797   | 28,395   | 29,260   | 26,476   |
| Contributions in Relation to the Actuarially Determined Contribution | 29,728   | 29,414   | 28,570   | 29,143   | 27,918   | 21,123   |
| Contribution Deficiency/(Excess)                                     | 272      | (2,570)  | 227      | (748)    | 1,342    | 5,353    |
| Covered Payroll  | 97,959   | 95,934   | 98,454   | 101,271  | 94,768   | 90,860   |
| Contributions as a percent of covered payroll                        | 30.35%   | 30.66%   | 29.02%   | 28.78%   | 29.46%   | 23.25%   |

**Notes to Required Supplementary Information:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

|                           |  |
|---------------------------|--|
| Valuation Date            | June 30, 2021  |
| Actuarial Cost Method     | Projected Unit Credit  |
| Amortization Method       | Contributions based on greater of 20 year level dollar open amortization method and 30 year level dollar closed amortization method. |
| Asset Valuation Method    | Assets smoothed over a 5 year period   |
| Salary Increases          | Varies by participant years of service.  |
| General Inflation         | 2.00%  |
| Investment Rate of Return | 7.00%  |
| Cost of Living            | N/A  |
| Mortality rates           | Pri-2012 mortality table projected generationally from the central year using Scale MP-2020.   |

## I. BASIS OF BUDGETING

The budgetary comparison schedules presented differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The major funds presented as Required Supplementary Information are subject to annual operating budgets adopted by City Council. These budgets appropriate funds by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies & equipment; contributions, indemnities & taxes; debt service; payments to other funds; and advances & other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes must have council approval.

Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are reported in the City's "Supplemental Report of Revenues & Obligations", a separately published report.

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

## II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

|   | General<br>Fund  | HealthChoices<br>Behavioral<br>Health Fund | Grants<br>Revenue<br>Fund |
|---|------------------|--|---------------------------|
| <b><u>Revenues</u></b>  |                  |  |                           |
| Budgetary Comparison Schedule                                 | 4,692,490        | 1,216,484                                  | 1,275,146                 |
| Transfers   | (570,600)        | -  | -                         |
| Program Income  | -                | -  | 44,722                    |
| Adjustments applicable to Prior Years Activity                | -                | -  | (389)                     |
| Change in Amount Held by Fiscal Agent                         | 1,289            | -  | -                         |
| Change in BIRT Adjustment                                     | (920)            | -  | -                         |
| Return of Loan  | (34,276)         | -  | -                         |
| Other   | -                | -  | (7)                       |
| Statement of Revenues, Expenditures & Changes in Fund Balance | <u>4,087,983</u> | <u>1,216,484</u>                           | <u>1,319,472</u>          |
| <b><u>Expenditures and Encumbrances</u></b>                   |                  |  |                           |
| Budgetary Comparison Schedule                                 | 4,717,754        | 1,161,222                                  | 1,500,800                 |
| Transfers   | (219,692)        | -  | (65,545)                  |
| Transfer to Budget Stabilization Fund                         | -                | -  | -                         |
| Bond Issuance Costs   | 110,524          | -  | -                         |
| Expenditures applicable to Prior Years Budgets                | 75,706           | (978)                                      | (5,839)                   |
| Program Income  | -                | -  | 44,722                    |
| Capital Outlay for New Police Headquarters                    | -                | -  | -                         |
| Change in Amount Held by Fiscal Agent                         | 24,400           | -  | -                         |
| Current Year Encumbrances                                     | <u>(164,363)</u> | <u>10,224</u>                              | <u>(169,498)</u>          |
| Statement of Revenues, Expenditures & Changes in Fund Balance | <u>4,544,329</u> | <u>1,170,468</u>                           | <u>1,304,640</u>          |



**Other  
Supplementary  
Information**

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**COUNTY LIQUID FUELS TAX** - Established to account for funds made available by Public Law No. 149.

**SPECIAL GASOLINE TAX** - Established to account for funds made available by Public Law No. 588.

**HOTEL ROOM RENTAL TAX** - Established to account for the tax levied to promote tourism.

**COMMUNITY DEVELOPMENT** - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

**CAR RENTAL TAX** - Established to account for the tax levied to retire new municipal stadium debt.

**HOUSING TRUST** - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

**ACUTE CARE HOSPITAL ASSESSMENT** - Established in FY 2009 to account for the assessment of certain net operating revenues of certain acute care hospitals.

**RIVERVIEW RESIDENTS** - Established to maintain a commissary and provide other benefits for the residents.

**PHILADELPHIA PRISONS** - Established to operate a workshop and to provide benefits for the prison inmates.

**ARBITRATION APPEALS** - Established to account for certain court fees and provide funds for the arbitration board.

**DEPARTMENTAL** - Established to account for various activities of the Free Library and Parks and Recreation.

**MUNICIPAL AUTHORITY ADMINISTRATIVE** - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE** - Established to account for PICA revenues from taxes and deficit financing transactions.

## **NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)**

### **DEBT SERVICE FUNDS**

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**CITY** - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

**MUNICIPAL AUTHORITY** - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE** - Established to account for the debt service activities related to the deficit financing provided by PICA.

### **CAPITAL IMPROVEMENT FUNDS**

Capital Improvement Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets .

**CITY** - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

**MUNICIPAL AUTHORITY** - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

### **PERMANENT FUNDS**

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

**LIBRARIES & PARKS** - Established to account for trust of the Free Library and Parks and Recreation.

City of Philadelphia  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2021

Schedule I

Amounts in thousands of USD

|   | Special Revenue         |                      |                       |                       |                |               |                                |                     |                      |              |                                    |                     | Total    |
|---|-------------------------|----------------------|-----------------------|-----------------------|----------------|---------------|--------------------------------|---------------------|----------------------|--------------|------------------------------------|---------------------|----------|
|   | County Liquid Fuels Tax | Special Gasoline Tax | Hotel Room Rental Tax | Community Development | Car Rental Tax | Housing Trust | Acute Care Hospital Assessment | Riverview Residents | Philadelphia Prisons | Departmental | Municipal Authority Administrative | PICA Administrative |          |
| <b>Assets</b>   |                         |                      |                       |                       |                |               |                                |                     |                      |              |                                    |                     |          |
| Cash on Deposit and on Hand   | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | 8,213        | 330                                | 6,025               | 14,568   |
| Equity in Treasurer's Account                                       | 10,649                  | 52,930               | 5,199                 | 299                   | 7,785          | 84,291        | 24,204                         | 30                  | 5,258                | 4,072        | -                                  | -                   | 194,717  |
| Investments   | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | 1,318        | 3,869                              | 14,796              | 16,114   |
| Due from Other Funds  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | 3,869    |
| Due from Component Units  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Amounts Held by Fiscal Agent  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Notes Receivable  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Taxes Receivable  | -                       | -                    | 4,535                 | -                     | -              | -             | 17,901                         | -                   | -                    | -            | -                                  | -                   | 30,630   |
| Accounts Receivable   | -                       | -                    | -                     | 2,502                 | 643            | -             | -                              | -                   | -                    | 68           | 3,022                              | 7,551               | 5,592    |
| Due from Other Governmental Units                                   | -                       | -                    | -                     | 11,666                | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | 11,666   |
| Allowance for Doubtful Accounts                                     | -                       | -                    | (547)                 | -                     | (38)           | -             | (16,111)                       | -                   | -                    | -            | -                                  | -                   | (16,696) |
| Interest and Dividends Receivable                                   | -                       | -                    | -                     | -                     | 11             | -             | -                              | -                   | -                    | -            | -                                  | -                   | 11       |
| Inventories   | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Other Assets  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | 33           | 546                                | 14                  | 593      |
| Total Assets  | 10,649                  | 52,930               | 9,187                 | 14,467                | 8,401          | 84,291        | 25,994                         | 30                  | 5,258                | 13,704       | 7,767                              | 28,386              | 261,064  |
| <b>Liabilities</b>  |                         |                      |                       |                       |                |               |                                |                     |                      |              |                                    |                     |          |
| Notes Payable   | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Vouchers Payable  | 302                     | 1,571                | -                     | 1,957                 | -              | 97            | 691                            | -                   | 96                   | 84           | -                                  | -                   | 4,798    |
| Accounts Payable  | 166                     | 1,800                | 3,281                 | 9,910                 | -              | 2,082         | 199                            | -                   | -                    | 251          | 7,521                              | 70                  | 25,081   |
| Salaries and Wages Payable  | -                       | -                    | -                     | 257                   | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | 456      |
| Payroll Taxes Payable   | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | 151                 | 151      |
| Accrued Expenses  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Due to Other Funds  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Due to Primary Government   | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | 7,551               | 7,551    |
| Due to Component Units  | -                       | -                    | -                     | 2,648                 | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Funds Held in Escrow  | -                       | -                    | -                     | 8                     | -              | 3,081         | -                              | -                   | 447                  | 1,742        | -                                  | -                   | 5,729    |
| Due to Other Governmental Units                                     | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | 2,197    |
| Unearned Revenue  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| General Obligation Bonds  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Revenue Bonds   | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Unamortized Loss - Refunded Debt                                    | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Unamortized Discount on Revenue Bond                                | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Obligations Under Capital Leases                                    | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Other Liabilities   | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Total Liabilities   | 468                     | 3,371                | 3,281                 | 14,780                | -              | 5,260         | 890                            | -                   | 543                  | 2,077        | 7,521                              | 7,772               | 45,963   |
| <b>Deferred Inflows of Resources</b>                                |                         |                      |                       |                       |                |               |                                |                     |                      |              |                                    |                     |          |
| -   | -                       | -                    | 147                   | 9,654                 | 4              | -             | 1,790                          | -                   | -                    | -            | -                                  | -                   | 11,595   |
| <b>Fund Balances</b>  |                         |                      |                       |                       |                |               |                                |                     |                      |              |                                    |                     |          |
| Nonspendable  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Restricted  | 10,181                  | 49,559               | 5,759                 | -                     | 8,397          | 79,031        | 23,314                         | -                   | -                    | 10,119       | 246                                | 20,614              | 207,220  |
| Committed   | -                       | -                    | -                     | -                     | -              | -             | -                              | 30                  | 4,715                | 1,508        | -                                  | -                   | 6,253    |
| Assigned  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | -        |
| Unassigned  | -                       | -                    | -                     | (9,967)               | -              | -             | -                              | -                   | -                    | -            | -                                  | -                   | (9,967)  |
| Total Fund Balances   | 10,181                  | 49,559               | 5,759                 | (9,967)               | 8,397          | 79,031        | 23,314                         | 30                  | 4,715                | 11,627       | 246                                | 20,614              | 203,506  |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | 10,649                  | 52,930               | 9,187                 | 14,467                | 8,401          | 84,291        | 25,994                         | 30                  | 5,258                | 13,704       | 7,767                              | 28,386              | 261,064  |

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City of Philadelphia  
Combining Balance Sheet  
Non-Major Governmental Funds(Continued)  
June 30, 2021

Schedule I

Amounts in thousands of USD

|  | Debt Service |                     |               | Capital Improvement |                | Permanent           |                   | Total          |
|--|--------------|---------------------|---------------|---------------------|----------------|---------------------|-------------------|----------------|
|  | City         | Municipal Authority | PICA          | Total               | City           | Municipal Authority | Libraries & Parks |                |
| <b>Assets</b>  |              |                     |               |                     |                |                     |                   |                |
| Cash on Deposit and on Hand  | -            | -                   | 5,219         | 5,219               | -              | -                   | 323               | 20,110         |
| Equity in Treasurer's Account  | 106          | -                   | -             | 106                 | -              | -                   | -                 | 339,196        |
| Investments  | -            | 48                  | 7,646         | 7,694               | -              | 17,782              | 8,657             | 50,247         |
| Due from Other Funds   | -            | -                   | -             | -                   | -              | -                   | -                 | 3,869          |
| Due from Component Units   | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Amounts Held by Fiscal Agent   | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Notes Receivable   | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Taxes Receivable   | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Accounts Receivable  | -            | -                   | -             | -                   | -              | -                   | -                 | 30,630         |
| Due from Other Governmental Units  | -            | -                   | -             | -                   | -              | -                   | -                 | 5,592          |
| Allowance for Doubtful Accounts  | -            | -                   | -             | -                   | -              | -                   | -                 | 100,481        |
| Interest and Dividends Receivable  | -            | -                   | -             | -                   | -              | -                   | -                 | (16,696)       |
| Inventories  | -            | -                   | -             | -                   | -              | -                   | -                 | 11             |
| Other Assets   | -            | -                   | -             | -                   | -              | -                   | -                 | 593            |
| <b>Total Assets</b>  | <b>106</b>   | <b>48</b>           | <b>12,865</b> | <b>13,019</b>       | <b>233,188</b> | <b>17,782</b>       | <b>8,980</b>      | <b>534,033</b> |
| <b>Liabilities</b>   |              |                     |               |                     |                |                     |                   |                |
| Notes Payable  | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Vouchers Payable   | -            | -                   | -             | -                   | 9,743          | -                   | -                 | 14,541         |
| Accounts Payable   | -            | -                   | -             | -                   | 29,692         | -                   | 54                | 54,827         |
| Salaries and Wages Payable   | -            | -                   | -             | -                   | -              | -                   | -                 | 456            |
| Payroll Taxes Payable  | -            | -                   | -             | -                   | -              | -                   | -                 | 151            |
| Accrued Expenses   | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Due to Other Funds   | -            | -                   | -             | -                   | -              | -                   | -                 | 7,551          |
| Due to Primary Government  | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Due to Component Units   | -            | -                   | -             | -                   | 6,210          | -                   | -                 | 11,939         |
| Funds Held in Escrow   | -            | -                   | -             | -                   | 2,969          | -                   | -                 | 5,166          |
| Due to Other Governmental Units  | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Unearned Revenue   | -            | -                   | -             | -                   | 10,536         | -                   | -                 | 10,536         |
| General Obligation Bonds   | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Revenue Bonds  | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Unamortized Loss - Refunded Debt   | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Unamortized Discount on Revenue Bonds                                      | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Obligations Under Capital Leases   | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Other Liabilities  | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| <b>Total Liabilities</b>   | <b>-</b>     | <b>-</b>            | <b>-</b>      | <b>-</b>            | <b>59,150</b>  | <b>-</b>            | <b>54</b>         | <b>105,167</b> |
| <b>Deferred Inflows of Resources</b>                                       | <b>-</b>     | <b>-</b>            | <b>-</b>      | <b>-</b>            | <b>79,100</b>  | <b>-</b>            | <b>-</b>          | <b>90,695</b>  |
| <b>Fund Balances</b>   |              |                     |               |                     |                |                     |                   |                |
| Nonspendable   | -            | -                   | -             | -                   | -              | -                   | -                 | 4,027          |
| Restricted   | 106          | 48                  | 12,865        | 13,019              | 94,938         | 17,782              | 4,899             | 337,858        |
| Committed  | -            | -                   | -             | -                   | -              | -                   | -                 | 6,253          |
| Assigned   | -            | -                   | -             | -                   | -              | -                   | -                 | -              |
| Unassigned   | -            | -                   | -             | -                   | -              | -                   | -                 | (9,967)        |
| <b>Total Fund Balances</b>   | <b>106</b>   | <b>48</b>           | <b>12,865</b> | <b>13,019</b>       | <b>94,938</b>  | <b>17,782</b>       | <b>8,926</b>      | <b>338,171</b> |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>106</b>   | <b>48</b>           | <b>12,865</b> | <b>13,019</b>       | <b>233,188</b> | <b>17,782</b>       | <b>8,980</b>      | <b>534,033</b> |

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2021
Schedule II
Amounts in thousands of USD

|   | Special Revenue         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
|---|-------------------------|----------------------|-----------------------|-----------------------|----------------|---------------|--------------------------------|---------------------|----------------------|---------------------|--------------|------------------------------------|
|   | County Liquid Fuels Tax | Special Gasoline Tax | Hotel Room Rental Tax | Community Development | Car Rental Tax | Housing Trust | Acute Care Hospital Assessment | Riverview Residents | Philadelphia Prisons | Arbitration Appeals | Departmental | Municipal Authority Administrative |
|   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              | PICA Administrative                |
|   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              | Total                              |
| <b>Revenues</b>   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
| Tax Revenue   | -                       | -                    | 24,692                | -                     | 4,860          | -             | 190,334                        | -                   | -                    | -                   | -            | 530,661                            |
| Locally Generated Non-Tax Revenue                         | 13                      | 88                   | 1                     | 2,645                 | 8              | 15,742        | -                              | -                   | 2,676                | 26                  | 1,492        | 136                                |
| Revenue from Other Governments                            | 3,798                   | 34,032               | -                     | 65,405                | -              | -             | -                              | -                   | -                    | -                   | -            | 103,175                            |
| Other Revenues  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | 621          | 154                                |
|   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              | 775                                |
| Total Revenues  | 3,751                   | 34,120               | 24,693                | 68,050                | 4,868          | 15,742        | 190,334                        | -                   | 2,676                | 26                  | 2,113        | 530,951                            |
|   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              | 877,397                            |
| <b>Expenditures</b>                                       |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
| Current Operating:  |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
| Economic Development                                      | -                       | -                    | 21,986                | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Transportation:   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
| Streets & Highways  | 5,656                   | 32,071               | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Judiciary and Law Enforcement:                            |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
| Prisons   | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | 799                  | -                   | -            | -                                  |
| Conservation of Health:                                   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
| Health Services   | -                       | -                    | -                     | -                     | -              | -             | 185,267                        | -                   | -                    | -                   | -            | -                                  |
| Housing and Neighborhood Development                      | -                       | -                    | -                     | 61,825                | -              | 23,024        | -                              | -                   | -                    | -                   | -            | -                                  |
| Cultural and Recreational:                                |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
| Parks & Recreation  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | 2,497        | -                                  |
| Libraries and Museums                                     | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | 102          | -                                  |
| Improvements to General Welfare:                          |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
| Service to Property:                                      |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
| Sanitation  | -                       | 3,059                | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| General Management and Support                            | -                       | 500                  | -                     | 2                     | 7,000          | -             | -                              | -                   | 501                  | 26                  | 63           | 1,038                              |
| Capital Outlay  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Debt Service:   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
| Principal   | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Interest  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Bond Issuance Cost  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Total Expenditures  | 5,656                   | 35,630               | 21,986                | 61,827                | 7,000          | 23,024        | 185,267                        | -                   | 1,300                | 26                  | 2,662        | 1,038                              |
|   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              | 398,714                            |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,905)                 | (1,510)              | 2,707                 | 6,223                 | (2,132)        | (7,282)       | 5,067                          | -                   | 1,376                | -                   | (549)        | 529,913                            |
|   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              | 478,683                            |
| <b>Other Financing Sources (Uses)</b>                     |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              |                                    |
| Issuance of Debt  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Issuance of Refunding Bonds                               | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Bond Issuance Premium                                     | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Bond Issuance Discount or payment                         | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Proceeds from Lease & Service Agreements                  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | 374                                |
| Payment to Refunded Bonds Escrow Agent                    | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Transfers In  | -                       | -                    | -                     | -                     | -              | 20,000        | -                              | -                   | -                    | -                   | 468          | -                                  |
| Transfers Out   | -                       | -                    | -                     | -                     | -              | -             | (4,500)                        | -                   | -                    | -                   | -            | (533,776)                          |
|   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              | 74,125                             |
|   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              | (538,276)                          |
| Total Other Financing Sources (Uses)                      | -                       | -                    | -                     | -                     | -              | 20,000        | (4,500)                        | -                   | -                    | -                   | 468          | (533,402)                          |
|   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              | (463,777)                          |
| Net Change in Fund Balances                               | (1,905)                 | (1,510)              | 2,707                 | 6,223                 | (2,132)        | 12,718        | 567                            | -                   | 1,376                | -                   | (81)         | (3,489)                            |
| Fund Balance - July 1, 2020                               | 12,086                  | 51,069               | 3,052                 | (16,190)              | 10,529         | 66,313        | 22,747                         | 30                  | 3,339                | -                   | 11,708       | 24,103                             |
| Adjustment  | -                       | -                    | -                     | -                     | -              | -             | -                              | -                   | -                    | -                   | -            | -                                  |
| Fund Balance Adjusted - July 1, 2020                      | 12,086                  | 51,069               | 3,052                 | (16,190)              | 10,529         | 66,313        | 22,747                         | 30                  | 3,339                | -                   | 11,708       | 24,103                             |
|   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              | 188,600                            |
| Fund Balance - June 30, 2021                              | 10,181                  | 49,559               | 5,759                 | (9,967)               | 8,397          | 79,031        | 23,314                         | 30                  | 4,715                | -                   | 11,627       | 20,614                             |
|   |                         |                      |                       |                       |                |               |                                |                     |                      |                     |              | 203,506                            |

City of Philadelphia

Schedule II

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds(Continued)

For the Fiscal Year Ended June 30, 2021

|   | Debt Service |                     |          |           | Capital Improvement |                     |           | Permanent         |       | Amounts in thousands of USD |                              |
|---|--------------|---------------------|----------|-----------|---------------------|---------------------|-----------|-------------------|-------|-----------------------------|------------------------------|
|   | City         | Municipal Authority | PICA     | Total     | City                | Municipal Authority | Total     | Libraries & Parks | Funds | Total                       | Non-Major Governmental Funds |
| <b>Revenues</b>   |              |                     |          |           |                     |                     |           |                   |       |                             |                              |
| Tax Revenue   | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | 750,547                      |
| Locally Generated Non-Tax Revenue                         | -            | -                   | 25       | 25        | 975                 | 27                  | 1,002     | 2,076             | -     | -                           | 26,003                       |
| Revenue from Other Governments                            | -            | -                   | -        | -         | 39,432              | -                   | 39,432    | -                 | -     | -                           | 142,607                      |
| Other Revenues  | -            | -                   | 586      | 586       | -                   | -                   | -         | -                 | -     | -                           | 1,361                        |
| Total Revenues  | -            | -                   | 611      | 611       | 40,407              | 27                  | 40,434    | 2,076             | -     | -                           | 920,518                      |
| <b>Expenditures</b>                                       |              |                     |          |           |                     |                     |           |                   |       |                             |                              |
| Current Operating:  |              |                     |          |           |                     |                     |           |                   |       |                             |                              |
| Economic Development                                      | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | 21,986                       |
| Transportation:   |              |                     |          |           |                     |                     |           |                   |       |                             |                              |
| Streets & Highways  | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | 37,727                       |
| Judiciary and Law Enforcement:                            |              |                     |          |           |                     |                     |           |                   |       |                             |                              |
| Prisons   | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | 799                          |
| Conservation of Health:                                   |              |                     |          |           |                     |                     |           |                   |       |                             |                              |
| Health Services   | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | 185,267                      |
| Housing and Neighborhood Development                      | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | 84,849                       |
| Cultural and Recreational:                                |              |                     |          |           |                     |                     |           |                   |       |                             |                              |
| Parks & Recreation  | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | 2,497                        |
| Libraries and Museums                                     | -            | -                   | -        | -         | -                   | -                   | -         | 68                | -     | -                           | 170                          |
| Improvements to General Welfare:                          |              |                     |          |           |                     |                     |           |                   |       |                             |                              |
| Service to Property:                                      |              |                     |          |           |                     |                     |           |                   |       |                             |                              |
| Sanitation  | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | 3,059                        |
| General Management and Support                            | -            | 1,740               | 8        | 1,748     | -                   | -                   | -         | -                 | -     | -                           | 64,176                       |
| Capital Outlay  | -            | -                   | -        | -         | 219,871             | -                   | 219,871   | -                 | -     | -                           | 219,871                      |
| Debt Service:   |              |                     |          |           |                     |                     |           |                   |       |                             |                              |
| Principal   | 88,110       | 5,145               | 22,120   | 115,375   | -                   | -                   | -         | -                 | -     | -                           | 115,375                      |
| Interest  | 79,318       | 6,821               | 2,804    | 88,943    | -                   | -                   | -         | -                 | -     | -                           | 88,943                       |
| Bond Insurance Cost                                       | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | -                            |
| Total Expenditures  | 167,428      | 13,706              | 24,932   | 206,066   | 219,871             | -                   | 219,871   | 68                | -     | -                           | 824,719                      |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (167,428)    | (13,706)            | (24,321) | (205,455) | (179,464)           | 27                  | (179,437) | 2,008             | -     | -                           | 95,799                       |
| <b>Other Financing Sources (Uses)</b>                     |              |                     |          |           |                     |                     |           |                   |       |                             |                              |
| Issuance of Debt  | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | -                            |
| Issuance of Refunding Bonds                               | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | -                            |
| Bond Issuance Premium                                     | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | -                            |
| Bond Issuance Discount or payment                         | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | -                            |
| Proceeds from Lease & Service Agreements                  | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | 374                          |
| Payment to Refunded Bonds Escrow Agent                    | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | -                            |
| Transfers In  | 167,351      | 13,706              | 21,382   | 202,439   | 16,997              | -                   | 16,997    | -                 | -     | -                           | 293,561                      |
| Transfers Out   | -            | -                   | -        | -         | -                   | (3,370)             | (3,370)   | (118)             | -     | -                           | (541,764)                    |
| Total Other Financing Sources (Uses)                      | 167,351      | 13,706              | 21,382   | 202,439   | 16,997              | (3,370)             | 13,627    | (118)             | -     | -                           | (247,929)                    |
| Net Change in Fund Balances                               | (77)         | -                   | (2,939)  | (3,016)   | (162,467)           | (3,343)             | (165,810) | 1,890             | -     | -                           | (152,030)                    |
| Fund Balance - July 1, 2020                               | 183          | 48                  | 15,804   | 16,035    | 257,405             | 21,125              | 278,530   | 7,036             | -     | -                           | 490,201                      |
| Adjustment  | -            | -                   | -        | -         | -                   | -                   | -         | -                 | -     | -                           | -                            |
| Fund Balance Adjusted - July 1, 2020                      | 183          | 48                  | 15,804   | 16,035    | 257,405             | 21,125              | 278,530   | 7,036             | -     | -                           | 490,201                      |
| Fund Balance - June 30, 2021                              | 106          | 48                  | 12,865   | 13,019    | 94,938              | 17,782              | 112,720   | 8,926             | -     | -                           | 338,171                      |

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

**Schedule III**

*Amounts in thousands of USD*

|   | Gas Works<br>Retirement<br>Reserve<br>Fund | Municipal<br>Pension<br>Fund | Total            |
|---|--|------------------------------|------------------|
| <b><u>Assets</u></b>                          |  |                              |                  |
| Cash on Deposit and on Hand                   | 23,797                                     | -                            | 23,797           |
| Equity in Treasurer's Account                 | 654,616                                    | 7,351,731                    | 8,006,347        |
| Securities Lending Collective Investment Pool | 28,060                                     | 181,951                      | 210,011          |
| Allowance for Unrealized Loss                 | -  | 1                            | 1                |
| Accounts Receivable                           | -  | 5,473                        | 5,473            |
| Due from Brokers for Securities Sold          | 6,221                                      | 188,466                      | 194,687          |
| Interest and Dividends Receivable             | 1,442                                      | -                            | 1,442            |
| Due from Other Governmental Units             | -  | 6,528                        | 6,528            |
| Due from Other Funds                          | -  | 55,205                       | 55,205           |
|   | <hr/>                                      | <hr/>                        | <hr/>            |
| Total Assets                                  | 714,136                                    | 7,789,355                    | 8,503,491        |
|   | <hr/>                                      | <hr/>                        | <hr/>            |
| <b><u>Liabilities</u></b>                     |  |                              |                  |
| 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>7,424,983</u>             | <u>8,098,525</u> |



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

**Schedule IV**

*Amounts in thousands of USD*

|                                       | Gas Works<br>Retirement<br>Reserve<br>Fund | Municipal<br>Pension<br>Fund | Total     |
|---------------------------------------|--|------------------------------|-----------|
| <b><u>Additions</u></b>               |  |                              |           |
| 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 | 143,863                                    | 1,521,779                    | 1,665,642 |
| (Less) Investments Expenses           | (1,482)                                    | (7,220)                      | (8,702)   |
| Securities Lending Revenue            | 11   | 1,246                        | 1,257     |
| (Less) Securities Lending Expenses    | (1)  | (186)                        | (187)     |
| Net Investment Gain                   | 155,840                                    | 1,643,277                    | 1,799,117 |
| Miscellaneous Operating Revenues      | -  | 213                          | 213       |
| Total Additions                       | 187,175                                    | 2,543,246                    | 2,730,421 |
| <b><u>Deductions</u></b>              |  |                              |           |
| 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     | -  | 7,841                        | 7,841     |
| Administrative Expenses Paid          | 217  | -                            | 217       |
| Other Operating Expenses              | -  | 86                           | 86        |
| Total Deductions                      | 56,863                                     | 901,154                      | 958,017   |
| Change in Net Position                | 130,312                                    | 1,642,092                    | 1,772,404 |
| Net Position - July 1, 2020           | 543,230                                    | 5,782,891                    | 6,326,121 |
| Net Position - June 30, 2021          | 673,542                                    | 7,424,983                    | 8,098,525 |

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

Schedule V

Amounts in thousands of USD

|   | Police    | Human Services | Prisons | Homeless Services | Records | Finance | District Attorney | Sheriff | 1st Judicial District | Clerk of Quarter Session | Total   |
|---|-----------|----------------|---------|-------------------|---------|---------|-------------------|---------|-----------------------|--------------------------|---------|
| <b>Assets</b>   |           |                |         |                   |         |         |                   |         |                       |                          |         |
| Cash on Deposit and on Hand   | \$ 10,820 | 84             | 2,387   | 238               | 1,124   | 249     | 2,589             | 37,944  | 25,499                | 49,883                   | 130,817 |
| Equity in Treasurer's Account   | -         | -              | -       | -                 | -       | 5,190   | -                 | -       | -                     | -                        | 5,190   |
| Investments   | 2,471     | -              | -       | -                 | -       | -       | -                 | -       | -                     | -                        | 2,471   |
| Due from Other Funds  | -         | -              | -       | -                 | -       | 699     | -                 | -       | -                     | -                        | 699     |
| Total Assets  | 13,291    | 84             | 2,387   | 238               | 1,124   | 6,138   | 2,589             | 37,944  | 25,499                | 49,883                   | 139,177 |
| <b>Liabilities</b>  |           |                |         |                   |         |         |                   |         |                       |                          |         |
| Vouchers Payable  | -         | -              | -       | -                 | -       | 128     | -                 | -       | -                     | -                        | 128     |
| Funds Held in Escrow  | 72        | 84             | 2,387   | 238               | 1,124   | 6,010   | -                 | -       | 233                   | -                        | 10,148  |
| Total Liabilities   | 72        | 84             | 2,387   | 238               | 1,124   | 6,138   | -                 | -       | 233                   | -                        | 10,276  |
| Net Position Restricted for Individuals, Organizations & Other Governments \$ | 13,219    | -              | -       | -                 | -       | -       | 2,589             | 37,944  | 25,266                | 49,883                   | 128,901 |

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

Schedule VI

Amounts in thousands of USD

|   | Police        | Human Services | Prisons      | Homeless Services | Records      | Finance    | District Attorney | Sheriff        | 1st Judicial District | Clerk of Quarter Session | Total          |
|---|---------------|----------------|--------------|-------------------|--------------|------------|-------------------|----------------|-----------------------|--------------------------|----------------|
| <b>Additions:</b>   |               |                |              |                   |              |            |                   |                |                       |                          |                |
| Collection of Human Services fees, contributions, and holdings          | \$ 360        | 1,340          | -            | 1,689             | -            | -          | -                 | -              | -                     | -                        | 3,389          |
| Collection of Judicial charges, fees, and holdings                      | -             | -              | -            | -                 | -            | -          | -                 | -              | 10,895                | 30,447                   | 41,342         |
| Collection of prisoner holdings   | -             | -              | 9,846        | -                 | -            | -          | -                 | -              | -                     | -                        | 9,846          |
| Collection of recording fees for other governments                      | -             | -              | -            | -                 | 6,661        | -          | -                 | -              | -                     | -                        | 6,661          |
| Collection of Sheriff and Police forfeitures, seizures, and holdings    | 5,300         | -              | -            | -                 | -            | -          | 9                 | 46,778         | -                     | -                        | 52,087         |
| Collection of unclaimed monies  | -             | -              | -            | -                 | -            | 470        | -                 | -              | -                     | -                        | 470            |
| <b>Total Additions</b>  | <b>5,660</b>  | <b>1,340</b>   | <b>9,846</b> | <b>1,689</b>      | <b>6,661</b> | <b>470</b> | <b>9</b>          | <b>46,778</b>  | <b>10,895</b>         | <b>30,447</b>            | <b>113,795</b> |
| <b>Deductions:</b>  |               |                |              |                   |              |            |                   |                |                       |                          |                |
| Distribution of Human Service fees, contributions and holdings          | 360           | 1,340          | -            | 1,689             | -            | -          | -                 | -              | -                     | -                        | 3,389          |
| Distribution of Judicial charges, fees, and holdings                    | -             | -              | -            | -                 | -            | -          | -                 | -              | 8,776                 | 11,930                   | 20,706         |
| Distribution of prisoner holdings                                       | -             | -              | 9,846        | -                 | -            | -          | -                 | -              | -                     | -                        | 9,846          |
| Distribution of recording fees for other governments                    | -             | -              | -            | -                 | 6,661        | -          | -                 | -              | -                     | -                        | 6,661          |
| Distribution of Sheriff and Police forfeitures, seizures, and holdings  | 2,388         | -              | -            | -                 | -            | -          | 269               | 51,449         | -                     | -                        | 54,106         |
| Distribution of unclaimed monies  | -             | -              | -            | -                 | -            | 470        | -                 | -              | -                     | -                        | 470            |
| <b>Total Deduction</b>  | <b>2,748</b>  | <b>1,340</b>   | <b>9,846</b> | <b>1,689</b>      | <b>6,661</b> | <b>470</b> | <b>269</b>        | <b>51,449</b>  | <b>8,776</b>          | <b>11,930</b>            | <b>95,178</b>  |
| <b>Change in net position</b>   | <b>2,912</b>  | <b>-</b>       | <b>-</b>     | <b>-</b>          | <b>-</b>     | <b>-</b>   | <b>(260)</b>      | <b>(4,671)</b> | <b>2,119</b>          | <b>18,517</b>            | <b>18,617</b>  |
| <b>Net Position - July 1, 2020, as restated (see footnote III.14.A)</b> | <b>10,307</b> | <b>-</b>       | <b>-</b>     | <b>-</b>          | <b>-</b>     | <b>-</b>   | <b>2,850</b>      | <b>42,615</b>  | <b>23,147</b>         | <b>31,366</b>            | <b>110,285</b> |
| <b>Net Position - June 30, 2021</b>                                     | <b>13,219</b> | <b>-</b>       | <b>-</b>     | <b>-</b>          | <b>-</b>     | <b>-</b>   | <b>2,590</b>      | <b>37,944</b>  | <b>25,266</b>         | <b>49,883</b>            | <b>128,902</b> |

**City of Philadelphia**  
**City Related Schedule of Bonded Debt Outstanding**  
**June 30, 2021**

**Schedule VII**

*Amounts in USD*

|   | Date of Issuance | Issued               | Fiscal 2021 Outstanding | Maturities       | Interest Rates | FY 2022 Debt Service Requirements |                   |
|---|------------------|----------------------|-------------------------|------------------|----------------|-----------------------------------|-------------------|
|   |                  |                      |                         |                  |                | Interest                          | Principal         |
| <b><u>Governmental Activities</u></b>   |                  |                      |                         |                  |                |                                   |                   |
| <b><u>General Obligation Bonds:</u></b> |                  |                      |                         |                  |                |                                   |                   |
| Series 2009B (Refunding)                | 8/13/2009        | 100,000,000          | 100,000,000             | 8/2027 to 8/2031 | variable       | 3,769,000                         | -                 |
| Series 2011                             | 4/19/2011        | 139,150,000          | 3,010,000               | 8/2021           | 5.00 to 6.50   | 74,906                            | 3,010,000         |
| Series 2012A (Refunding)                | 5/8/2012         | 21,295,000           | 10,040,000              | 9/2021           | 5.00           | 251,000                           | 10,040,000        |
| Series 2013A                            | 7/30/2013        | 201,360,000          | 8,500,000               | 7/2021           | 5.00           | 212,500                           | 8,500,000         |
| Series 2014A (Refunding)                | 2/6/2014         | 154,275,000          | 137,315,000             | 7/2021 to 7/2038 | 5.00 to 5.25   | 6,902,588                         | 4,770,000         |
| Series 2015A (Refunding)                | 7/8/2015         | 138,795,000          | 105,385,000             | 8/2021 to 8/2031 | 5.00           | 5,055,375                         | 8,555,000         |
| Series 2015B                            | 9/30/2015        | 191,585,000          | 159,800,000             | 8/2021 to 8/2035 | 4.00 to 5.00   | 7,520,450                         | 7,350,000         |
| Series 2017 (Refunding)                 | 2/2/2017         | 262,865,000          | 233,440,000             | 8/2021 to 8/2041 | 4.00 to 5.00   | 11,142,100                        | 11,240,000        |
| Series 2017A                            | 8/2/2017         | 250,845,000          | 227,155,000             | 8/2021 to 8/2037 | 5.00           | 11,140,375                        | 8,695,000         |
| Series 2017A (Refunding)                | 8/2/2017         | 80,770,000           | 80,770,000              | 8/2021 to 8/2036 | 5.00           | 4,009,750                         | 1,150,000         |
| Series 2019A (Refunding)                | 5/14/2019        | 188,660,000          | 170,005,000             | 8/2021 to 8/2031 | 5.00           | 8,066,250                         | 17,360,000        |
| Series 2019B                            | 8/8/2019         | 293,360,000          | 283,755,000             | 2/2022 to 2/2039 | 5.00           | 14,187,750                        | 10,085,000        |
| Series 2020A (Refunding)                | 1/16/2020        | 118,030,000          | 116,645,000             | 7/2020 to 7/2033 | 1.72 to 3.01   | 3,009,590                         | 1,400,000         |
| <u>Total New Money Bonds</u>            |                  | <u>1,076,300,000</u> | <u>682,220,000</u>      |                  |                | <u>33,135,981</u>                 | <u>37,640,000</u> |
| <u>Total Refunding Bonds</u>            |                  | <u>1,064,690,000</u> | <u>953,600,000</u>      |                  |                | <u>42,205,652</u>                 | <u>54,515,000</u> |
| Total General Obligation Bonds          |                  | 2,140,990,000        | 1,635,820,000           |                  |                | 75,341,633                        | 92,155,000        |

**Business Type Activities**

**Revenue Bonds**

**Water and Sewer Revenue Bonds:**

|                          |            |             |             |                    |               |            |            |
|--------------------------|------------|-------------|-------------|--------------------|---------------|------------|------------|
| Series 2009B             | 10/14/2009 | 31,216,779  | 15,792,777  | 7/2021 to 6/2033   | 2.107         | 320,658    | 1,257,315  |
| Series 2009C             | 10/14/2009 | 49,157,776  | 27,228,853  | 7/2021 to 6/2033   | 2.107         | 552,325    | 2,223,115  |
| Series 2009D             | 3/31/2010  | 75,744,096  | 42,253,537  | 7/2021 to 6/2033   | 2.107         | 855,630    | 3,601,991  |
| Series 2010B             | 6/17/2010  | 30,000,000  | 19,633,990  | 7/2021 to 6/2033   | 2.107         | 400,028    | 1,419,877  |
| Series 2011B (Refunding) | 11/16/2011 | 49,855,000  | 9,045,000   | 11/2021            | 5.00          | 226,125    | 9,045,000  |
| Series 2013A             | 8/22/2013  | 170,000,000 | 47,000,000  | 1/2022 to 1/2023   | 4.00 to 5.125 | 2,347,900  | 22,925,000 |
| Series 2014 (Refunding)  | 1/23/2014  | 93,170,000  | 50,615,000  | 7/2021 to 7/2027   | 3.00 to 5.00  | 2,270,975  | 7,490,000  |
| Series 2015B (Refunding) | 4/16/2015  | 141,740,000 | 120,475,000 | 7/2021 to 7/2033   | 4.00 to 5.00  | 5,460,350  | 11,460,000 |
| Series 2016 (Refunding)  | 11/3/2016  | 192,680,000 | 174,010,000 | 10/2021 to 10/2035 | 3.00 to 5.00  | 8,086,438  | 4,180,000  |
| Series 2017A             | 4/13/2017  | 279,865,000 | 239,865,000 | 10/2021 to 10/2052 | 5.00 to 5.25  | 12,116,125 | -          |
| Series 2017B (Refunding) | 8/10/2017  | 174,110,000 | 165,225,000 | 11/2021 to 10/2034 | 5.00          | 8,182,750  | 3,140,000  |
| Series 2018A             | 11/28/2018 | 276,935,000 | 256,935,000 | 10/2021 to 10/2053 | 5.00          | 12,596,750 | 10,000,000 |
| Series 2019A (Refunding) | 2/27/2019  | 68,335,000  | 67,995,000  | 10/2021 to 10/2040 | 2.83 to 4.29  | 2,688,256  | 350,000    |
| Series 2019B             | 8/14/2019  | 250,660,000 | 250,660,000 | 11/2023 to 11/2054 | 5.00          | 12,533,000 | -          |
| Series 2020 (Refunding)  | 10/07/2020 | 127,740,000 | 127,740,000 | 10/2032 to 10/2040 | 5.00          | 6,387,000  | -          |
| Series 2020A (Refunding) | 8/06/2020  | 201,530,000 | 201,530,000 | 11/2022 to 10/2050 | 5.00          | 10,076,500 | -          |

**City of Philadelphia**  
**City Related Schedule of Bonded Debt Outstanding**  
**June 30, 2021**

**Schedule VII**

*Amounts in USD*

|                                     | Date of<br>Issuance | Issued               | Fiscal 2021<br>Outstanding | Maturities         | Interest<br>Rates | FY 2022 Debt Service Requirements<br>Interest | Principal          |
|-------------------------------------|---------------------|----------------------|----------------------------|--------------------|-------------------|---|--------------------|
| Series 2020B (Refunding)            | 8/06/2020           | 95,025,000           | 95,025,000                 | 10/2021 to 10/2035 | 0.693 to 2.434    | 1,556,192                                     | 3,140,000          |
| Series 2021B (Refunding)            | 6/30/2021           | 368,720,000          | 368,720,000                | 1/2022 to 07/2045  | 0.247 to 2.926    | 5,058,776                                     | 8,810,000          |
| <u>Total New Money Bonds</u>        |                     | <u>1,163,578,651</u> | <u>899,369,157</u>         |                    |                   | <u>41,722,416</u>                             | <u>41,427,298</u>  |
| <u>Total Refunding Bonds</u>        |                     | <u>1,512,905,000</u> | <u>1,380,380,000</u>       |                    |                   | <u>49,993,362</u>                             | <u>47,615,000</u>  |
| <u>Total Water Revenue Bonds</u>    |                     | <u>2,676,483,651</u> | <u>2,279,749,157</u>       |                    |                   | <u>91,715,777</u>                             | <u>89,042,298</u>  |
| <b>Aviation Revenue Bonds:</b>      |                     |                      |                            |                    |                   |   |                    |
| Series 2005C (Refunding)            | 6/2/2005            | 189,500,000          | 60,400,000                 | 6/2022 to 6/2025   | variable          | 1,595,768                                     | 14,300,000         |
| Series 2011A (Refunding)            | 12/14/2011          | 199,040,000          | 129,535,000                | 6/2022 to 6/2028   | 4.625 to 5.00     | 6,421,156                                     | 8,980,000          |
| Series 2011B (Refunding)            | 12/14/2011          | 34,790,000           | 20,300,000                 | 6/2022 to 6/2031   | 3.375 to 5.00     | 917,975                                       | 1,675,000          |
| Series 2015A (Refunding)            | 9/3/2015            | 97,780,000           | 76,585,000                 | 6/2022 to 6/2035   | 4.00 to 5.00      | 3,743,700                                     | 3,920,000          |
| Series 2017                         | 4/27/2017           | 125,000,000          | 118,040,000                | 7/2021 to 4/2022   | 2.797             | 2,932,154                                     | 118,040,000        |
| Series 2017A (Refunding)            | 12/20/2017          | 138,630,000          | 127,885,000                | 7/2021 to 7/2047   | 3.00 to 5.00      | 5,857,294                                     | 4,520,000          |
| Series 2017B (Refunding)            | 12/20/2017          | 553,900,000          | 527,480,000                | 7/2021 to 7/2047   | 5.00              | 25,999,750                                    | 14,970,000         |
| Series 2020A (Refunding)            | 10/08/2020          | 187,140,000          | 187,140,000                | 7/2024 to 7/2040   | 4.00 to 5.00      | 8,415,950                                     | -                  |
| Series 2020B (Refunding)            | 10/08/2020          | 43,140,000           | 43,140,000                 | 7/2021 to 7/2050   | 3.00 to 5.00      | 1,610,075                                     | 5,000              |
| Series 2020C (Refunding)            | 10/08/2020          | 158,935,000          | 158,935,000                | 7/2021 to 7/2050   | 4.00 to 5.00      | 7,232,775                                     | 13,715,000         |
| <u>Total New Money Bonds</u>        |                     | <u>125,000,000</u>   | <u>118,040,000</u>         |                    |                   | <u>2,932,154</u>                              | <u>118,040,000</u> |
| <u>Total Refunding Bonds</u>        |                     | <u>1,602,855,000</u> | <u>1,331,400,000</u>       |                    |                   | <u>61,794,443</u>                             | <u>62,085,000</u>  |
| <u>Total Aviation Revenue Bonds</u> |                     | <u>1,727,855,000</u> | <u>1,449,440,000</u>       |                    |                   | <u>64,726,597</u>                             | <u>180,125,000</u> |
| <u>Total Revenue Bonds</u>          |                     | <u>4,404,338,651</u> | <u>3,729,189,157</u>       |                    |                   | <u>156,442,375</u>                            | <u>269,167,298</u> |
| <u>Total All Bonds</u>              |                     | <u>6,545,328,651</u> | <u>5,365,009,157</u>       |                    |                   | <u>231,784,008</u>                            | <u>361,322,298</u> |

**NOTES:**

<sup>1</sup> Assumes interest rate to be fixed swap rate on hedged variable rate bonds

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

Schedule VIII

Amounts in thousands of USD

|  | <u>Budgeted Amounts</u> |              |               | Final Budget<br>to Actual<br>Positive<br>(Negative) |
|--|-------------------------|--------------|---------------|---|
|  | <u>Original</u>         | <u>Final</u> | <u>Actual</u> |   |
| <b><u>Revenues</u></b>                                     |                         |              |               |   |
| Locally Generated Non-Tax Revenue                          | 697,950                 | 714,789      | 699,441       | (15,348)  |
| Revenue from Other Governments                             | 1,000                   | 670          | 669           | (1)   |
| Revenue from Other Funds                                   | 113,110                 | 105,079      | 57,341        | (47,738)  |
| Total Revenues   | 812,060                 | 820,538      | 757,451       | (63,087)  |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |              |               |   |
| 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                                       | 209,725                 | 209,726      | 193,159       | 16,567  |
| 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      | 186,313       | 16,809  |
| Payments to Other Funds                                    | 70,000                  | 70,000       | 57,881        | 12,119  |
| Total Expenditures and Encumbrances                        | 852,090                 | 852,081      | 781,444       | 70,637  |
| Operating Surplus (Deficit) for the Year                   | (40,030)                | (31,543)     | (23,993)      | 7,550   |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | -                       | -            | -             | -   |
| <b><u>Operations in Respect to Prior Fiscal Years</u></b>  |                         |              |               |   |
| 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<br>for Appropriation, June 30, 2021 | (30)                    | 8,457        | -             | (8,457)   |

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

Schedule IX

Amounts in thousands of USD

|  | <u>Budgeted Amounts</u> |                 | <u>Actual</u> | Final Budget<br>to Actual<br>Positive<br>(Negative) |
|--|-------------------------|-----------------|---------------|---|
|  | <u>Original</u>         | <u>Final</u>    |               |   |
| <b><u>Revenues</u></b>                                     |                         |                 |               |   |
| Locally Generated Non-Tax Revenue                          | -                       | -               | 22            | 22  |
| Revenue from Other Funds                                   | <u>37,000</u>           | <u>33,000</u>   | <u>24,796</u> | <u>(8,204)</u>                                      |
| Total Revenues   | 37,000                  | 33,000          | 24,818        | (8,182)   |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |                 |               |   |
| 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>(16,000)</u> | <u>22</u>     | <u>16,022</u>                                       |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | 15,665                  | 15,344          | 16,299 *      | 955   |
| Fund Balance Available<br>for Appropriation, June 30, 2021 | <u>15,665</u>           | <u>(656)</u>    | <u>16,321</u> | <u>16,977</u>                                       |

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

Schedule X

Amounts in thousands of USD

|  | <u>Budgeted Amounts</u> |                     |                     | Final Budget<br>to Actual<br>Positive<br>(Negative) |
|--|-------------------------|---------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |   |
| <b><u>Revenues</u></b>                                     |                         |                     |                     |   |
| Revenue from Other Governments                             | <u>7,249</u>            | <u>3,675</u>        | <u>3,751</u>        | <u>76</u>   |
| Total Revenues   | <u>7,249</u>            | <u>3,675</u>        | <u>3,751</u>        | <u>76</u>   |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |                     |                     |   |
| 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>916</u>          | <u>733</u>          | <u>183</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>10,873</u>       | <u>5,386</u>        | <u>5,487</u>  |
| Operating Surplus (Deficit) for the Year                   | <u>(3,624)</u>          | <u>(7,198)</u>      | <u>(1,635)</u>      | <u>5,563</u>  |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | <u>11,296</u>           | <u>11,163</u>       | <u>11,163</u>       | <u>-</u>  |
| <b><u>Operations in Respect to Prior Fiscal Years</u></b>  |                         |                     |                     |   |
| 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<br>for Appropriation, June 30, 2021 | <u><u>7,697</u></u>     | <u><u>3,990</u></u> | <u><u>9,711</u></u> | <u><u>5,721</u></u>                                 |



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

Schedule XI

Amounts in thousands of USD

|  | <u>Budgeted Amounts</u> |              | <u>Actual</u> | Final Budget<br>to Actual<br>Positive<br>(Negative) |
|--|-------------------------|--------------|---------------|---|
|  | <u>Original</u>         | <u>Final</u> |               |   |
| <b><u>Revenues</u></b>                                     |                         |              |               |   |
| Locally Generated Non-Tax Revenue                          | -                       | -            | 88            | 88  |
| Revenue from Other Governments                             | 29,325                  | 32,400       | 34,032        | 1,632   |
| Total Revenues   | 29,325                  | 32,400       | 34,120        | 1,720   |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |              |               |   |
| 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)                | (8,529)      | (2,667)       | 5,862   |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | 36,272                  | 42,021       | 42,021        | -   |
| <b><u>Operations in Respect to Prior Fiscal Years</u></b>  |                         |              |               |   |
| 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<br>for Appropriation, June 30, 2021 | 25,168                  | 33,992       | 45,143        | 11,151  |

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

Schedule XII

Amounts in thousands of USD

|  | <u>Budgeted Amounts</u> |                 | <u>Actual</u>   | Final Budget<br>to Actual<br>Positive<br>(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>56,623</u>   | <u>56,623</u>   | <u>-</u>  |
| Total Expenditures and Encumbrances                        | <u>56,623</u>           | <u>56,623</u>   | <u>56,623</u>   | <u>-</u>  |
| Operating Surplus (Deficit) for the Year                   | <u>-</u>                | <u>(38,074)</u> | <u>(31,931)</u> | <u>6,143</u>  |
| Fund Balance Available<br>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<br>for Appropriation, June 30, 2021 | <u>-</u>                | <u>(53,085)</u> | <u>(29,009)</u> | <u>24,076</u>                                       |

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

Schedule XIII

Amounts in thousands of USD

|  | <u>Budgeted Amounts</u> |                       |                       | Final Budget<br>to Actual<br>Positive<br>(Negative) |
|--|-------------------------|-----------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>          | <u>Actual</u>         |   |
| <b><u>Revenues</u></b>                                     |                         |                       |                       |   |
| Locally Generated Non-Tax Revenue                          | 348,831                 | 303,533               | 327,159               | 23,626  |
| Revenue from Other Governments                             | 67,826                  | 79,037                | 65,093                | (13,944)  |
| Revenue from Other Funds                                   | <u>1,577</u>            | <u>1,300</u>          | <u>1,478</u>          | <u>178</u>  |
| Total Revenues   | 418,234                 | 383,870               | 393,730               | 9,860   |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |                       |                       |   |
| Personal Services  | 81,226                  | 81,270                | 72,423                | 8,847   |
| Pension Contributions                                      | 35,210                  | 36,816                | 36,597                | 219   |
| Other Employee Benefits                                    | <u>28,540</u>           | <u>26,934</u>         | <u>22,200</u>         | <u>4,734</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                 | 577   |
| 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>(7,480)</u>          | <u>(41,844)</u>       | <u>46,826</u>         | <u>88,670</u>                                       |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | 256,051                 | 226,777               | 198,609               | (28,168)  |
| <b><u>Operations in Respect to Prior Fiscal Years</u></b>  |                         |                       |                       |   |
| 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<br>for Appropriation, June 30, 2021 | <u><u>263,571</u></u>   | <u><u>199,933</u></u> | <u><u>265,704</u></u> | <u><u>65,771</u></u>                                |

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

Schedule XIV

Amounts in thousands of USD

|  | <u>Budgeted Amounts</u> |              |               | Final Budget<br>to Actual<br>Positive<br>(Negative) |
|--|-------------------------|--------------|---------------|---|
|  | <u>Original</u>         | <u>Final</u> | <u>Actual</u> |   |
| <b><u>Revenues</u></b>                                     |                         |              |               |   |
| Locally Generated Non-Tax Revenue                          | 500                     | 500          | 2,646         | 2,146   |
| Revenue from Other Governments                             | 128,682                 | 118,966      | 58,451        | (60,515)  |
| Total Revenues   | 129,182                 | 119,466      | 61,097        | (58,369)  |
| <b><u>Other Sources</u></b>                                |                         |              |               |   |
| Decrease in Financed Reserves                              | -                       | -            | 9,666         | 9,666   |
| Total Revenues and Other Sources                           | 129,182                 | 119,466      | 70,763        | (48,703)  |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |              |               |   |
| Personal Services  | 7,103                   | 8,193        | 4,989         | 3,204   |
| Pension Contributions                                      | 3,149                   | 3,034        | 2,020         | 1,014   |
| Other Employee Benefits                                    | 1,824                   | 2,016        | 1,388         | 628   |
| Sub-Total Employee Compensation                            | 12,076                  | 13,243       | 8,397         | 4,846   |
| Purchase of Services                                       | 96,825                  | 110,702      | 62,111        | 48,591  |
| Materials and Supplies                                     | 201                     | 108          | 38            | 70  |
| Equipment  | 55                      | 297          | 109           | 188   |
| Payments to Other Funds                                    | 25                      | 25           | 24            | 1   |
| Advances, Subsidies, Miscellaneous                         | 20,000                  | 4,807        | -             | 4,807   |
| Total Expenditures and Encumbrances                        | 129,182                 | 129,182      | 70,679        | 58,503  |
| Operating Surplus (Deficit) for the Year                   | -                       | (9,716)      | 84            | 9,800   |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | -                       | (16,190)     | (16,190)      | -   |
| <b><u>Operations in Respect to Prior Fiscal Years</u></b>  |                         |              |               |   |
| Commitments Cancelled - Net                                | -                       | -            | 6,139         | 6,139   |
| Prior Period Adjustments                                   | -                       | 16,190       | -             | (16,190)  |
| Adjusted Fund Balance, July 1, 2020                        | -                       | -            | (10,051)      | (10,051)  |
| Fund Balance Available<br>for Appropriation, June 30, 2021 | -                       | (9,716)      | (9,967)       | (251)   |

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

Schedule XV

Amounts in thousands of USD

|  | <u>Budgeted Amounts</u> |                     |                     | Final Budget<br>to Actual<br>Positive<br>(Negative) |
|--|-------------------------|---------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |   |
| <b><u>Revenues</u></b>                                     |                         |                     |                     |   |
| 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   |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |                     |                     |   |
| 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<br>for Appropriation, July 1, 2020  | <u>4,004</u>            | <u>10,530</u>       | <u>10,530</u>       | <u>-</u>  |
| Fund Balance Available<br>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

Schedule XVI

Amounts in thousands of USD

|  | <u>Budgeted Amounts</u> |                 | <u>Actual</u>  | Final Budget<br>to Actual<br>Positive<br>(Negative) |
|--|-------------------------|-----------------|----------------|---|
|  | <u>Original</u>         | <u>Final</u>    |                |   |
| <b><u>Revenues</u></b>                                     |                         |                 |                |   |
| Locally Generated Non-Tax Revenue                          | 12,434                  | 16,650          | 15,742         | (908)   |
| Revenue from Other Funds                                   | <u>20,000</u>           | <u>20,000</u>   | <u>20,000</u>  | <u>-</u>  |
| Total Revenues   | 32,434                  | 36,650          | 35,742         | (908)   |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |                 |                |   |
| 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>(45,102)</u> | <u>(5,448)</u> | <u>39,654</u>                                       |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | 37,318                  | 24,558          | 24,668         | 110   |
| <b><u>Operations in Respect to Prior Fiscal Years</u></b>  |                         |                 |                |   |
| 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<br>for Appropriation, June 30, 2021 | <u>20,000</u>           | <u>6,456</u>    | <u>27,598</u>  | <u>21,142</u>                                       |

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

Schedule XVII

Amounts in thousands of USD

|  | <u>Budgeted Amounts</u> |              | <u>Actual</u> | Final Budget<br>to Actual<br>Positive<br>(Negative) |
|--|-------------------------|--------------|---------------|---|
|  | <u>Original</u>         | <u>Final</u> |               |   |
| <b><u>Revenues</u></b>                                     |                         |              |               |   |
| Locally Generated Non-Tax Revenue                          | 739,308                 | 739,508      | 972           | (738,536)   |
| Revenue from Other Governments                             | 655,968                 | 655,868      | 37,665        | (618,203)   |
| Revenue from Other Funds                                   | 192,902                 | 192,902      | 10,260        | (182,642)   |
| Total Revenues   | 1,588,178               | 1,588,278    | 48,897        | (1,539,381)   |
| <b><u>Other Sources (Uses)</u></b>                         |                         |              |               |   |
| Increase in Unreimbursed Commitments                       | -                       | -            | 312           | 312   |
| Total Revenues and Other Sources                           | 1,588,178               | 1,588,278    | 49,209        | (1,539,069)   |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |              |               |   |
| Capital Outlay   | 1,588,178               | 1,588,278    | 179,613       | 1,408,665   |
| Operating Surplus (Deficit) for the Year                   | -                       | -            | (130,404)     | (130,404)   |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | -                       | -            | 1,595         | 1,595   |
| <b><u>Operations in Respect to Prior Fiscal Years</u></b>  |                         |              |               |   |
| Commitments Cancelled - Net                                | -                       | -            | 2,247         | 2,247   |
| Adjusted Fund Balance, July 1, 2020                        | -                       | -            | 3,842         | 3,842   |
| Fund Balance Available<br>for Appropriation, June 30, 2021 | -                       | -            | (126,562)     | (126,562)   |

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

Schedule XVIII

Amounts in thousands of USD

|  | <u>Budgeted Amounts</u> |                 | <u>Actual</u>  | Final Budget<br>to Actual<br>Positive<br>(Negative) |
|--|-------------------------|-----------------|----------------|---|
|  | <u>Original</u>         | <u>Final</u>    |                |   |
| <b><u>Revenues</u></b>                                     |                         |                 |                |   |
| Tax Revenue  | <u>310,000</u>          | <u>225,339</u>  | <u>190,335</u> | <u>(35,004)</u>                                     |
| Total Revenues   | <u>310,000</u>          | <u>225,339</u>  | <u>190,335</u> | <u>(35,004)</u>                                     |
| <b><u>Other Sources</u></b>                                |                         |                 |                |   |
| Increase in Unreimbursed Commitments                       | <u>-</u>                | <u>-</u>        | <u>495</u>     | <u>495</u>  |
| Total Revenues and Other Sources                           | <u>310,000</u>          | <u>225,339</u>  | <u>190,830</u> | <u>(34,509)</u>                                     |
| <b><u>Expenditures and Encumbrances</u></b>                |                         |                 |                |   |
| 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>(93,577)</u> | <u>567</u>     | <u>94,144</u>                                       |
| Fund Balance Available<br>for Appropriation, July 1, 2020  | <u>26,483</u>           | <u>22,747</u>   | <u>22,747</u>  | <u>-</u>  |
| <b><u>Operations in Respect to Prior Fiscal Years</u></b>  |                         |                 |                |   |
| 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<br>for Appropriation, June 30, 2021 | <u>19,567</u>           | <u>(68,830)</u> | <u>23,314</u>  | <u>92,144</u>                                       |



**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)**

**Schedule XIX**

*Amounts in thousands of USD*

|  | Budgeted Amounts |           |                   | Final Budget<br>to Actual |                   |                        |
|--|------------------|-----------|-------------------|---------------------------|-------------------|------------------------|
|  | Original         | Final     | FY 2021<br>Actual | Positive<br>(Negative)    | FY 2020<br>Actual | Increase<br>(Decrease) |
| <b>Revenue</b>                           |                  |           |                   |                           |                   |                        |
| <b>Taxes</b>                             |                  |           |                   |                           |                   |                        |
| Real Property Tax:                       |                  |           |                   |                           |                   |                        |
| Current                                  | 647,474          | 694,100   | 693,933           | (167)                     | 671,767           | 22,166                 |
| Prior Years                              | 36,814           | 18,183    | 29,388            | 11,205                    | 27,283            | 2,105                  |
| Total Real Property Tax                  | 684,288          | 712,283   | 723,321           | 11,038                    | 699,050           | 24,271                 |
| Wage and Earnings Taxes:                 |                  |           |                   |                           |                   |                        |
| Current                                  | 1,513,699        | 1,500,734 | 1,448,007         | (52,727)                  | 1,591,884         | (143,877)              |
| Prior Years                              | 5,400            | (99,600)  | 2,738             | 102,338                   | 7,278             | (4,540)                |
| Total Wage and Earnings Taxes            | 1,519,099        | 1,401,134 | 1,450,745         | 49,611                    | 1,599,162         | (148,417)              |
| Business Taxes:                          |                  |           |                   |                           |                   |                        |
| Business Income & Receipts Taxes:        |                  |           |                   |                           |                   |                        |
| Current                                  | 429,321          | 471,747   | 475,662           | 3,915                     | 494,888           | (19,226)               |
| Prior Years                              | 35,000           | 45,000    | 65,936            | 20,936                    | 39,351            | 26,585                 |
| Total Business Income & Receipts Taxes   | 464,321          | 516,747   | 541,598           | 24,851                    | 534,239           | 7,359                  |
| Net Profits Tax:                         |                  |           |                   |                           |                   |                        |
| Current                                  | 25,164           | 20,003    | 42,514            | 22,511                    | 22,539            | 19,975                 |
| Prior Years                              | 4,700            | 4,700     | 1,860             | (2,840)                   | 6,667             | (4,807)                |
| Total Net Profits Tax                    | 29,864           | 24,703    | 44,374            | 19,671                    | 29,206            | 15,168                 |
| Total Business Taxes                     | 494,185          | 541,450   | 585,972           | 44,522                    | 563,445           | 22,527                 |
| Other Taxes:                             |                  |           |                   |                           |                   |                        |
| Sales Tax                                | 174,508          | 209,740   | 230,408           | 20,668                    | 204,591           | 25,817                 |
| Amusement Tax                            | 16,611           | 2,269     | 2,918             | 649                       | 18,446            | (15,528)               |
| Beverage Tax                             | 67,441           | 63,013    | 70,155            | 7,142                     | 69,921            | 234                    |
| Real Property Transfer Tax               | 292,816          | 299,307   | 303,989           | 4,682                     | 319,794           | (15,805)               |
| Parking Lot Tax                          | 76,719           | 51,485    | 53,212            | 1,727                     | 77,266            | (24,054)               |
| Smokeless Tobacco                        | 967              | 1,061     | 522               | (539)                     | 1,056             | (534)                  |
| Miscellaneous Taxes                      | 3,464            | 2,257     | 2,615             | 358                       | 3,214             | (599)                  |
| Total Other Taxes                        | 632,526          | 629,132   | 663,819           | 34,687                    | 694,288           | (30,469)               |
| Total Taxes                              | 3,330,098        | 3,283,999 | 3,423,857         | 139,858                   | 3,555,945         | (132,088)              |
| <b>Locally Generated Non-Tax Revenue</b> |                  |           |                   |                           |                   |                        |
| Rentals from Leased City Properties      | 3,482            | 2,192     | 2,192             | -                         | 2,637             | (445)                  |
| Licenses and Permits                     | 70,235           | 75,852    | 77,404            | 1,552                     | 65,020            | 12,384                 |
| Fines, Forfeits, Penalties, Confiscated  |                  |           |                   |                           |                   |                        |
| Money and Property                       | 22,115           | 15,620    | 16,017            | 397                       | 17,684            | (1,667)                |
| Interest Income                          | 2,642            | 10,665    | 11,241            | 576                       | 18,320            | (7,079)                |
| Service Charges and Fees                 | 195,393          | 159,935   | 168,612           | 8,677                     | 189,144           | (20,532)               |
| Other                                    | 64,023           | 72,911    | 68,723            | (4,188)                   | 72,308            | (3,585)                |
| Total Locally Generated Non-Tax Revenue  | 357,890          | 337,175   | 344,189           | 7,014                     | 365,113           | (20,924)               |
| <b>Revenue from Other Governments</b>    |                  |           |                   |                           |                   |                        |
| United States Government:                |                  |           |                   |                           |                   |                        |
| Grants and Reimbursements                | 22,982           | 107,825   | 35,278            | (72,547)                  | 86,127            | (50,849)               |
| Commonwealth of Pennsylvania:            |                  |           |                   |                           |                   |                        |
| Grants and Other Payments                | 222,842          | 226,733   | 230,882           | 4,149                     | 214,504           | 16,378                 |
| Other Governmental Units                 | 522,373          | 509,767   | 570,494           | 60,727                    | 557,908           | 12,586                 |
| Total Revenue from Other Governments     | 768,197          | 844,325   | 836,654           | (7,671)                   | 858,539           | (21,885)               |
| <b>Revenue from Other Funds</b>          | 125,608          | 149,748   | 87,789            | (61,959)                  | 53,995            | 33,794                 |
| Total Revenues                           | 4,581,793        | 4,615,247 | 4,692,489         | 77,242                    | 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)

Schedule XIX

Amounts in thousands of USD

|   | Budgeted Amounts |           |                   | Final Budget<br>to Actual |                   |                        |
|---|------------------|-----------|-------------------|---------------------------|-------------------|------------------------|
|   | Original         | Final     | FY 2021<br>Actual | Positive<br>(Negative)    | FY 2020<br>Actual | Increase<br>(Decrease) |
| <b>Obligations</b>                          |                  |           |                   |                           |                   |                        |
| <b>General Government</b>                   |                  |           |                   |                           |                   |                        |
| 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)               |
| <b>Operation of Service Departments</b>     |                  |           |                   |                           |                   |                        |
| 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)              |
| <b>Financial Management</b>                 |                  |           |                   |                           |                   |                        |
| 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)

Schedule XIX

Amounts in thousands of USD

|   | Budgeted Amounts |           |                   | Final Budget<br>to Actual |                   |                        |
|---|------------------|-----------|-------------------|---------------------------|-------------------|------------------------|
|   | Original         | Final     | FY 2021<br>Actual | Positive<br>(Negative)    | FY 2020<br>Actual | Increase<br>(Decrease) |
| <b>Obligations (Continued)</b>                                    |                  |           |                   |                           |                   |                        |
| <b>City-Wide Appropriations Under the Director of Finance</b>     |                  |           |                   |                           |                   |                        |
| 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)              |
| <b>Promotion and Public Relations</b>                             |                  |           |                   |                           |                   |                        |
| 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)               |
| <b>Personnel</b>  |                  |           |                   |                           |                   |                        |
| 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)                  |
| <b>Administration of Justice</b>                                  |                  |           |                   |                           |                   |                        |
| 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)                |
| <b>City-Wide Appropriations Under the First Judicial District</b> |                  |           |                   |                           |                   |                        |
| Juror Fees  | 1,367            | 1,367     | 174               | 1,193                     | 653               | (479)                  |
| <b>Conduct of Elections</b>                                       |                  |           |                   |                           |                   |                        |
| 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)        | (333,225) | (25,266)          | 307,959                   | (202,942)         | 177,676                |

City of Philadelphia  
Schedule of Budgetary Actual and Estimated Revenues and Obligations  
Water Operating Fund

Schedule XX

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2021 (with comparative actual amounts for the Fiscal Year Ended June 30, 2020)

|   | Budgeted Amounts |          |                   | Final Budget<br>to Actual |                   |                        |
|---|------------------|----------|-------------------|---------------------------|-------------------|------------------------|
|   | Original         | Final    | FY 2021<br>Actual | Positive<br>(Negative)    | FY 2020<br>Actual | Increase<br>(Decrease) |
| <b><u>Revenue</u></b>                                     |                  |          |                   |                           |                   |                        |
| <b><u>Locally Generated Non-Tax Revenue</u></b>           |                  |          |                   |                           |                   |                        |
| Sales and Charges - Current                               | 588,292          | 588,278  | 587,898           | (380)                     | 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              | 317      | 352               | 35                        | 348               | 4                      |
| Miscellaneous Charges                                     | 2,149            | 2,379    | 2,634             | 255                       | 2,571             | 63                     |
| Charges to Other Municipalities                           | 40,050           | 42,590   | 39,102            | (3,488)                   | 39,326            | (224)                  |
| Licenses and Permits                                      | 6,572            | 5,097    | 7,987             | 2,890                     | 5,039             | 2,948                  |
| Interest Income   | 3,100            | 3,100    | (82)              | (3,182)                   | 3,256             | (3,338)                |
| Fleet Management - Sale of Vehicles & Equipment           | 20               | 10       | 107               | 97                        | 19                | 88                     |
| Contributions from Sinking Fund Reserve                   | 3,000            | 19,000   | 2,079             | (16,921)                  | 12,000            | (9,921)                |
| Reimbursement of Expenditures                             | 228              | 741      | 805               | 64                        | 1,794             | (989)                  |
| Repair Loan Program                                       | 4,317            | 4,317    | 4,939             | 622                       | 4,678             | 261                    |
| Other   | 980              | 5        | 4                 | (1)                       | 933               | (929)                  |
| Total Locally Generated Non-Tax Revenue                   | 697,949          | 714,789  | 699,441           | (15,348)                  | 710,317           | (10,876)               |
| <b><u>Revenue from Other Governments</u></b>              |                  |          |                   |                           |                   |                        |
| State   | 1,000            | 670      | 669               | (1)                       | 860               | (191)                  |
| Federal   | -                | -        | -                 | -                         | -                 | -                      |
| Total Revenue from Other Governments                      | 1,000            | 670      | 669               | (1)                       | 860               | (191)                  |
| <b><u>Revenue from Other Funds</u></b>                    |                  |          |                   |                           |                   |                        |
|   | 113,110          | 105,079  | 57,341            | (47,738)                  | 68,583            | (11,242)               |
| Total Revenues  | 812,059          | 820,538  | 757,451           | (63,087)                  | 779,760           | (22,309)               |
| <b><u>Obligations</u></b>                                 |                  |          |                   |                           |                   |                        |
| Mayor's Office of Information Services                    | 31,491           | 31,493   | 23,630            | 7,863                     | 23,528            | 102                    |
| 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  | 439,067          | 433,184  | 398,749           | 34,435                    | 399,811           | (1,062)                |
| Office of the Director of Finance                         | -                | -        | -                 | -                         | -                 | -                      |
| City-Wide Appropriation Under<br>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                                     | 17,647           | 17,647   | 14,045            | 3,602                     | 15,590            | (1,545)                |
| Sinking Fund Commission                                   | 203,121          | 203,121  | 186,312           | 16,809                    | 206,392           | (20,080)               |
| Procurement Department                                    | 110              | 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          | 852,081  | 781,444           | 70,637                    | 806,621           | (25,177)               |
| Operating Surplus (Deficit) for the Year                  | (40,030)         | (31,543) | (23,993)          | 7,550                     | (26,861)          | 2,868                  |

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)

Schedule XXI

Amounts in thousands of USD

|   | Budgeted Amounts |          |                   | Final Budget<br>to Actual |                   |                        |
|---|------------------|----------|-------------------|---------------------------|-------------------|------------------------|
|   | Original         | Final    | FY 2021<br>Actual | Positive<br>(Negative)    | FY 2020<br>Actual | Increase<br>(Decrease) |
| <u>Revenue</u>  |                  |          |                   |                           |                   |                        |
| <u>Locally Generated Non-Tax Revenue</u>                  |                  |          |                   |                           |                   |                        |
| Concessions   | 31,401           | 19,681   | 19,207            | (474)                     | 50,748            | (31,541)               |
| Space Rentals   | 167,769          | 129,465  | 160,616           | 31,151                    | 112,032           | 48,584                 |
| Landing Fees  | 52,655           | 60,956   | 67,837            | 6,881                     | 70,929            | (3,092)                |
| Parking   | 20,794           | 845      | 689               | (156)                     | 35,079            | (34,390)               |
| Car Rentals   | 12,520           | 9,895    | 11,496            | 1,601                     | 16,932            | (5,436)                |
| Payment in Aid - Terminal Building                        | -                | -        | -                 | -                         | -                 | -                      |
| Interest Earnings   | 4,000            | 5,000    | 470               | (4,530)                   | 9,852             | (9,382)                |
| Sale of Utilities   | 4,031            | 2,557    | 2,153             | (404)                     | 2,340             | (187)                  |
| Passenger Facility Charge                                 | 31,217           | 62,218   | 49,938            | (12,280)                  | 31,200            | 18,738                 |
| Overseas Terminal Facility Charges                        | 22               | 2        | 102               | 100                       | 8                 | 94                     |
| International Terminal Charge                             | 21,118           | 5,776    | 8,033             | 2,257                     | 22,422            | (14,389)               |
| Other   | 3,304            | 7,138    | 6,618             | (520)                     | 8,150             | (1,532)                |
| Total Locally Generated Non-Tax Revenue                   | 348,831          | 303,533  | 327,159           | 23,626                    | 359,692           | (32,533)               |
| <u>Revenue from Other Governments</u>                     |                  |          |                   |                           |                   |                        |
| State   | -                | -        | -                 | -                         | -                 | -                      |
| Federal   | 67,826           | 79,037   | 65,093            | (13,944)                  | 57,491            | 7,602                  |
| Total Revenue from Other Governments                      | 67,826           | 79,037   | 65,093            | (13,944)                  | 57,491            | 7,602                  |
| <u>Revenue from Other Funds</u>                           | 1,577            | 1,300    | 1,478             | 178                       | 1,333             | 145                    |
| Total Revenue   | 418,234          | 383,870  | 393,730           | 9,860                     | 418,516           | (24,786)               |
| <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            | 8,934    | 8,934             | -                         | 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    | 2,572             | 2,314                     | 6,127             | (3,555)                |
| Director of Finance                                       | -                | -        | -                 | -                         | -                 | -                      |
| City-Wide Appropriation Under<br>the Director of Finance: |                  |          |                   |                           |                   |                        |
| Pension Contributions                                     | 35,194           | 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   | 425,714          | 425,714  | 346,904           | 78,810                    | 415,304           | (68,400)               |
| Operating Surplus (Deficit) for the Year                  | (7,480)          | (41,844) | 46,826            | 88,670                    | 3,212             | 43,614                 |

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

Schedule XXII

Amounts in thousands of USD

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

## **Statistical Section**

### **Financial Trends**

*These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.*

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### **Revenue Capacity**

*These tables contain information to help the reader assess the City's most significant local revenue source, the wage and earnings tax. Property tax information is also presented.*

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### **Debt Capacity**

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### **Demographic & Economic Information**

*These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.*

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### **Operating Information**

*These tables contain service and infrastructure information data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.*

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**City of Philadelphia**  
**Net Position by Component**  
**For the Fiscal Years 2012 Through 2021**

**Table 1**

*Amounts in millions of USD*

*(full accrual basis of accounting)*

**Governmental Activities**

|  | <u>2012</u>      | <u>2013</u>      | <u>2014</u>      | <u>2015</u>      | <u>2016</u>      | <u>2017</u>      | <u>2018</u>      | <u>2019</u>      | <u>2020</u>      | <u>2021</u>      |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Net Investment in Capital Assets           | 83.9             | 232.5            | 176.8            | 1,040.8          | 955.2            | 1,006.6          | 645.2            | 738.6            | 538.6            | 655.4            |
| Restricted                                 | 621.8            | 586.8            | 630.3            | 576.5            | 625.1            | 553.8            | 793.2            | 867.9            | 955.0            | 842.7            |
| Unrestricted                               | (2,478.2)        | (2,588.9)        | (2,771.8)        | (7,880.6)        | (7,904.4)        | (7,767.3)        | (8,709.9)        | (8,516.9)        | (8,803.6)        | ( 8,555.8)       |
| Total Governmental Activities Net Position | <u>(1,772.5)</u> | <u>(1,769.6)</u> | <u>(1,964.7)</u> | <u>(6,263.3)</u> | <u>(6,324.1)</u> | <u>(6,206.9)</u> | <u>(7,271.5)</u> | <u>(6,910.4)</u> | <u>(7,310.0)</u> | <u>(7,057.7)</u> |

**Business-Type Activities**

|   |                |                |                |                |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net Investment in Capital Assets            | 887.8          | 982.5          | 1,007.4        | 1,088.1        | 1,323.7        | 1,330.5        | 1,402.0        | 1,437.6        | 1,492.8        | 1,509.0        |
| Restricted                                  | 591.8          | 628.9          | 685.5          | 766.0          | 650.5          | 692.5          | 762.6          | 835.5          | 825.7          | 749.2          |
| Unrestricted                                | 257.9          | 173.4          | 200.7          | (278.5)        | (279.3)        | (251.9)        | (423.0)        | (391.6)        | (391.6)        | (234.0)        |
| Total Business-Type Activities Net Position | <u>1,737.5</u> | <u>1,784.8</u> | <u>1,893.6</u> | <u>1,575.6</u> | <u>1,694.9</u> | <u>1,771.1</u> | <u>1,741.6</u> | <u>1,881.5</u> | <u>1,926.9</u> | <u>2,024.2</u> |

**Primary Government**

|                                       |               |             |               |                  |                  |                  |                  |                  |                  |                  |
|---------------------------------------|---------------|-------------|---------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Net Investment in Capital Assets      | 971.7         | 1,215.0     | 1,184.2       | 2,128.9          | 2,278.9          | 2,337.1          | 2,047.2          | 2,176.2          | 2,031.4          | 2,164.4          |
| Restricted                            | 1,213.6       | 1,215.7     | 1,315.8       | 1,342.5          | 1,275.6          | 1,246.3          | 1,555.8          | 1,703.4          | 1,780.7          | 1,591.9          |
| Unrestricted                          | (2,220.3)     | (2,415.5)   | (2,571.1)     | (8,159.1)        | (8,183.7)        | (8,019.2)        | (9,132.9)        | (8,908.5)        | (9,195.2)        | (8,789.8)        |
| Total Primary Government Net Position | <u>(35.0)</u> | <u>15.2</u> | <u>(71.1)</u> | <u>(4,687.7)</u> | <u>(4,629.2)</u> | <u>(4,435.8)</u> | <u>(5,529.9)</u> | <u>(5,028.9)</u> | <u>(5,383.1)</u> | <u>(5,033.5)</u> |



**City of Philadelphia**  
**Changes in Net Positions**  
**For the Fiscal Years 2012 Through 2021**

**Table 2**

**Amounts in millions of USD**

| (full accrual basis of accounting)      |             |             |             |             |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
| Expenses                                |             |             |             |             |             |             |             |             |             |             |
| Governmental Activities:                |             |             |             |             |             |             |             |             |             |             |
| Economic Development                    |             |             |             |             |             |             |             |             |             |             |
| Transportation:                         |             |             |             |             |             |             |             |             |             |             |
| Streets & Highways                      | 96.5        | 94.2        | 95.1        | 97.4        | 115.3       | 111.4       | 113.7       | 109.7       | 118.0       | 70.1        |
| Mass Transit                            | 115.6       | 112.9       | 143.9       | 122.4       | 136.8       | 122.8       | 148.1       | 159.1       | 175.7       | 167.2       |
| Judiciary and Law Enforcement:          | 74.0        | 71.0        | 72.1        | 76.2        | 76.1        | 84.3        | 86.4        | 89.3        | 91.0        | 89.5        |
| Police                                  | 1,094.2     | 1,087.9     | 1,262.7     | 1,098.7     | 1,232.4     | 1,198.8     | 1,282.0     | 1,277.3     | 1,350.3     | 1,140.7     |
| Prisons                                 | 336.7       | 342.2       | 371.2       | 353.0       | 381.6       | 387.6       | 386.4       | 349.2       | 369.8       | 289.1       |
| Courts                                  | 326.2       | 318.1       | 338.5       | 323.4       | 339.6       | 349.7       | 344.8       | 357.8       | 363.0       | 321.7       |
| Conservation of Health:                 |             |             |             |             |             |             |             |             |             |             |
| Emergency Medical Services              | 48.4        | 49.7        | 69.3        | 66.4        | 66.3        | 77.2        | 69.7        | 70.0        | 74.2        | 71.0        |
| Health Services                         | 1,500.1     | 1,464.9     | 1,519.1     | 1,420.5     | 1,579.1     | 1,613.6     | 1,661.9     | 1,650.4     | 1,842.0     | 1,978.7     |
| Housing and Neighborhood Development    | 137.7       | 102.9       | 80.3        | 80.9        | 80.1        | 81.1        | 94.3        | 106.6       | 132.0       | 124.0       |
| Cultural and Recreational               |             |             |             |             |             |             |             |             |             |             |
| Recreation                              | 97.3        | 102.3       | 113.1       | 113.1       | 116.6       | 120.3       | 125.7       | 131.4       | 122.5       | 117.3       |
| Parks                                   | 9.0         | 8.6         | 8.2         | 10.6        | 8.4         | 9.5         | 6.9         | 5.5         | 10.6        | 10.4        |
| Libraries and Museums                   | 80.8        | 76.1        | 84.5        | 84.3        | 88.8        | 90.4        | 96.4        | 109.4       | 111.4       | 89.7        |
| Improvements to General Welfare:        |             |             |             |             |             |             |             |             |             |             |
| Social Services                         | 675.5       | 625.3       | 657.5       | 687.8       | 688.7       | 733.8       | 732.0       | 727.4       | 739.7       | 726.8       |
| Education                               | 74.3        | 94.4        | 167.5       | 126.0       | 134.5       | 134.2       | 134.7       | 213.3       | 263.2       | 294.2       |
| Inspections and Demolitions             | 26.5        | 38.0        | 43.3        | 41.7        | 65.3        | 45.4        | 54.3        | 56.7        | 57.2        | 51.3        |
| Service to Property:                    |             |             |             |             |             |             |             |             |             |             |
| Sanitation                              | 153.2       | 136.7       | 153.1       | 151.1       | 157.0       | 161.1       | 160.0       | 153.7       | 163.5       | 150.2       |
| Fire                                    | 292.2       | 296.8       | 386.6       | 350.8       | 370.7       | 373.4       | 410.6       | 469.2       | 470.1       | 411.6       |
| General Management and Support          | 678.4       | 743.4       | 538.0       | 605.3       | 648.1       | 693.3       | 729.1       | 788.5       | 946.5       | 1,162.4     |
| Interest on Long Term Debt              | 112.1       | 161.8       | 159.0       | 166.2       | 158.2       | 151.1       | 155.7       | 148.3       | 158.6       | 121.9       |
| Total Governmental Activities Expenses  | 5,928.7     | 5,927.2     | 6,263.0     | 5,975.8     | 6,443.6     | 6,539.0     | 6,792.7     | 6,972.8     | 7,559.3     | 7,387.8     |
| Business-Type Activities:               |             |             |             |             |             |             |             |             |             |             |
| Water and Sewer                         | 490.8       | 513.4       | 543.5       | 550.2       | 569.0       | 601.8       | 631.1       | 685.8       | 711.4       | 636.4       |
| Aviation                                | 343.1       | 358.9       | 376.5       | 374.3       | 400.2       | 419.9       | 442.9       | 430.7       | 437.2       | 378.3       |
| Industrial and Commercial Development   | -           | 0.6         | -           | -           | -           | 16.5        | 0.5         | 2.3         | 4.4         | 5.9         |
| Total Business-Type Activities Expenses | 833.9       | 872.9       | 920.0       | 924.5       | 969.2       | 1,038.2     | 1,074.5     | 1,118.8     | 1,153.0     | 1,020.6     |
| Total Primary Government Expenses       | 6,762.6     | 6,800.1     | 7,183.0     | 6,900.3     | 7,412.8     | 7,577.2     | 7,880.1     | 8,091.6     | 8,712.3     | 8,408.4     |
| Program Revenues                        |             |             |             |             |             |             |             |             |             |             |
| Governmental Activities:                |             |             |             |             |             |             |             |             |             |             |
| Charges for Services:                   |             |             |             |             |             |             |             |             |             |             |
| Economic Development                    | 1.1         | 2.6         | 0.1         | 0.1         | 0.1         | -           | -           | -           | -           | 0.1         |
| Transportation:                         |             |             |             |             |             |             |             |             |             |             |
| Streets & Highways                      | 5.2         | 5.3         | 5.2         | 7.3         | 5.8         | 7.1         | 6.6         | 10.0        | 9.8         | 9.9         |
| Mass Transit                            | 1.3         | 1.9         | 1.9         | 2.1         | 2.2         | 2.2         | 2.5         | 2.7         | 2.3         | 1.7         |
| Judiciary and Law Enforcement:          |             |             |             |             |             |             |             |             |             |             |
| Police                                  | 5.5         | 6.3         | 4.5         | 5.2         | 5.1         | 8.2         | 6.8         | 7.2         | 7.2         | 5.6         |
| Prisons                                 | 0.9         | 0.7         | 0.4         | 0.4         | 0.3         | 0.3         | 0.5         | 1.7         | 1.3         | 0.4         |
| Courts                                  | 60.6        | 59.9        | 50.3        | 51.6        | 50.3        | 53.6        | 56.5        | 55.6        | 39.3        | 31.7        |
| Conservation of Health:                 |             |             |             |             |             |             |             |             |             |             |
| Emergency Medical Services              | 27.5        | 33.3        | 36.3        | 36.2        | 45.7        | 65.0        | 51.9        | 16.8        | 11.2        | -           |
| Health Services                         | 14.8        | 16.7        | 18.9        | 14.4        | 14.1        | 30.3        | 27.6        | 46.4        | 63.5        | 67.6        |
| Housing and Neighborhood Development    | 28.6        | 23.5        | 16.7        | 20.1        | 18.1        | 27.2        | 21.0        | 23.2        | 18.1        | 25.3        |
| Cultural and Recreational:              |             |             |             |             |             |             |             |             |             |             |
| Recreation                              | 2.2         | 3.8         | 2.8         | 3.7         | 4.6         | 3.4         | 5.8         | 4.9         | 3.1         | 1.6         |
| Parks                                   | 4.8         | 3.3         | 2.2         | 1.1         | 1.0         | 3.6         | 1.8         | 1.0         | 0.8         | 3.0         |
| Libraries and Museums                   | 1.2         | 1.0         | 2.0         | 1.1         | 1.2         | 1.4         | 1.9         | 1.5         | 1.1         | 1.5         |

**City of Philadelphia**  
**Changes in Net Positions**  
**For the Fiscal Years 2012 Through 2021**

Table 2

Amounts in millions of USD

| (full accrual basis of accounting)                 |           |           |           |           |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      |
| Improvements to General Welfare:                   |           |           |           |           |           |           |           |           |           |           |
| Social Services                                    | 5.2       | 8.3       | 5.6       | 4.4       | 1.2       | 1.4       | 7.3       | 6.2       | 7.0       | 5.7       |
| Education  | -         | 0.1       | -         | -         | -         | -         | -         | -         | -         | -         |
| Inspections and Demolitions                        | 50.0      | 53.9      | 50.1      | 52.4      | 54.1      | 59.4      | 64.8      | 72.8      | 64.7      | 76.2      |
| Service to Property:                               |           |           |           |           |           |           |           |           |           |           |
| Sanitation   | 15.9      | 16.2      | 35.5      | 24.9      | 16.5      | 13.8      | 14.1      | 14.0      | 14.5      | 17.1      |
| Fire   | 0.3       | 0.9       | 0.3       | 2.9       | 0.3       | 0.6       | 0.4       | 40.8      | 44.5      | 3.5       |
| General Management and Support                     | 139.7     | 134.2     | 177.7     | 150.2     | 158.3     | 159.5     | 160.1     | 151.0     | 147.8     | 153.4     |
| Interest on Long Term Debt                         | 0.3       | -         | 0.2       | 0.2       | 0.2       | -         | -         | 0.2       | -         | -         |
| Operating Grants and Contributions                 | 2,102.1   | 1,986.4   | 1,967.3   | 2,011.2   | 2,090.9   | 2,199.5   | 2,262.9   | 2,215.2   | 2,337.0   | 2,713.8   |
| Capital Grants and Contributions                   | 43.2      | 48.9      | 35.3      | 60.1      | 61.8      | 22.2      | 27.3      | 20.5      | 44.9      | 49.7      |
| Total Governmental Activities Program Revenues     | 2,510.4   | 2,407.2   | 2,413.3   | 2,449.6   | 2,531.8   | 2,658.7   | 2,719.8   | 2,691.7   | 2,818.1   | 3,167.8   |
| Business-Type Activities:                          |           |           |           |           |           |           |           |           |           |           |
| <b>Charges for Services:</b>                       |           |           |           |           |           |           |           |           |           |           |
| Water and Sewer                                    | 598.3     | 608.7     | 638.6     | 675.9     | 670.0     | 714.7     | 726.4     | 745.3     | 732.4     | 715.8     |
| Aviation   | 263.2     | 291.4     | 315.4     | 322.4     | 433.7     | 431.9     | 471.1     | 486.2     | 366.8     | 329.0     |
| Industrial and Commercial Development              | 0.4       | 0.4       | 0.4       | 0.5       | 0.5       | 19.9      | 0.1       | 2.2       | 7.2       | 5.6       |
| Operating Grants and Contributions                 | 3.5       | 2.3       | 1.4       | 0.9       | 0.9       | 1.3       | 0.6       | 0.7       | 0.9       | 2.7       |
| Capital Grants and Contributions                   | 91.6      | 58.2      | 93.6      | 161.3     | 26.8      | 10.6      | 29.0      | 22.7      | 34.3      | 40.6      |
| Total Business-Type Activities Program Revenues    | 957.0     | 961.0     | 1,049.4   | 1,161.0   | 1,131.9   | 1,178.4   | 1,227.2   | 1,257.1   | 1,141.6   | 1,093.7   |
| Total Primary Government Revenues                  | 3,467.4   | 3,368.2   | 3,462.7   | 3,610.6   | 3,663.7   | 3,837.1   | 3,947.0   | 3,948.8   | 3,959.7   | 4,261.5   |
| Net (Expense)/Revenue                              | (3,418.3) | (3,520.0) | (3,849.7) | (3,526.2) | (3,911.8) | (3,880.3) | (4,072.9) | (4,281.1) | (4,741.2) | (4,220.0) |
| Governmental Activities                            | 123.1     | 88.1      | 129.4     | 236.5     | 162.7     | 140.2     | 152.7     | 138.3     | (11.4)    | 73.1      |
| Business-Type Activities                           | (3,295.2) | (3,431.9) | (3,720.3) | (3,289.7) | (3,749.1) | (3,740.1) | (3,920.2) | (4,142.8) | (4,752.6) | (4,146.9) |
| Total Primary Government Net Expense               |           |           |           |           |           |           |           |           |           |           |
| General Revenues and Other Changes in Net Position |           |           |           |           |           |           |           |           |           |           |
| Governmental Activities:                           |           |           |           |           |           |           |           |           |           |           |
| Taxes:   |           |           |           |           |           |           |           |           |           |           |
| Property Taxes                                     | 500.8     | 553.8     | 530.2     | 551.3     | 550.2     | 578.7     | 649.0     | 691.9     | 695.8     | 720.2     |
| Wage & Earnings Taxes                              | 1,551.7   | 1,598.7   | 1,639.8   | 1,737.2   | 1,816.8   | 1,920.7   | 2,027.8   | 2,114.7   | 2,115.6   | 1,991.2   |
| Business Taxes                                     | 399.2     | 452.4     | 469.2     | 453.4     | 505.6     | 440.2     | 456.1     | 556.1     | 590.4     | 589.8     |
| Other Taxes  | 663.6     | 706.0     | 735.8     | 666.7     | 733.5     | 817.6     | 947.7     | 984.1     | 942.8     | 883.9     |
| Unrestricted Grants & Contributions                | 223.2     | 187.4     | 229.5     | 185.1     | 185.4     | 184.5     | 191.6     | 190.8     | 197.3     | 197.8     |
| Interest & Investment Earnings                     | 33.3      | 17.9      | 21.7      | 24.1      | 28.0      | 27.4      | 49.6      | 64.7      | 69.2      | 52.1      |
| Special Items                                      | -         | -         | -         | -         | -         | -         | (38.4)    | -         | -         | -         |
| Transfers  | 27.5      | 21.4      | 28.3      | 30.2      | 31.6      | 28.5      | 33.3      | 39.9      | 34.7      | 37.2      |
| Total Governmental Activities                      | 3,399.3   | 3,537.6   | 3,654.5   | 3,648.0   | 3,851.1   | 3,997.6   | 4,316.7   | 4,642.2   | 4,645.8   | 4,472.2   |
| Business-Type Activities:                          |           |           |           |           |           |           |           |           |           |           |
| Interest & Investment Earnings                     | 9.0       | 12.7      | 5.3       | 4.1       | 8.3       | 11.4      | 23.6      | 47.8      | 48.7      | 2.7       |
| Unrestricted Grants & Contributions                | 2.9       | 42.2      | 2.5       | 1.9       | 1.9       | 2.5       | 3.3       | 3.9       | 58.2      | 64.6      |
| Transfers  | (27.5)    | (21.4)    | (28.3)    | (30.3)    | (31.6)    | (28.5)    | (33.3)    | (39.9)    | (34.7)    | (37.2)    |
| Total Business-Type Activities                     | (15.6)    | 33.5      | (20.5)    | (24.3)    | (21.4)    | (14.6)    | (6.2)     | 11.8      | 72.2      | 30.1      |
| Total Primary Government                           | 3,383.7   | 3,571.1   | 3,634.0   | 3,623.7   | 3,829.7   | 3,983.0   | 4,310.5   | 4,654.0   | 4,718.0   | 4,502.3   |
| Change in Net Position                             |           |           |           |           |           |           |           |           |           |           |
| Governmental Activities                            | (19.0)    | 17.6      | (195.2)   | 121.8     | (60.7)    | 117.3     | 243.8     | 361.1     | (95.4)    | 252.2     |
| Business-Type Activities                           | 107.5     | 121.6     | 108.9     | 212.2     | 141.3     | 125.6     | 146.5     | 150.1     | 60.8      | 103.2     |
| Total Primary Government                           | 88.5      | 139.2     | (86.3)    | 334.0     | 80.6      | 242.9     | 390.3     | 511.2     | (34.6)    | 355.4     |

Table 3

**City of Philadelphia  
Fund Balances  
Governmental Funds  
For the Fiscal Years 2012 Through 2021**

*Amounts in millions of USD*

*(modified accrual basis of accounting)*

**General Fund**

|  | <u>2012</u> | <u>2013</u>  | <u>2014</u>  | <u>2015</u>  | <u>2016</u>  | <u>2017</u>  | <u>2018</u>  | <u>2019</u>  | <u>2020</u>  | <u>2021</u>  |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Non-spendable:                         | -           | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Restricted for:                        |             |              |              |              |              |              |              |              |              |              |
| Central Library Project                | 2.3         | 2.3          | 2.0          | 2.0          | 1.7          | 1.7          | -            | -            | -            | -            |
| Stadium Financing                      | 0.5         | 2.1          | 3.8          | 4.3          | 0.6          | 0.6          | -            | -            | -            | -            |
| Cultural & Commercial Corridor Project | 15.3        | 12.2         | 11.6         | 10.6         | 7.4          | 2.7          | 1.5          | 1.2          | 1.1          | 0.9          |
| Long Term Loan                         | -           | 79.7         | 68.2         | 56.7         | 44.8         | 33.1         | 21.8         | 10.8         | -            | 6.5          |
| Affordable Housing Project             | -           | -            | -            | -            | -            | -            | 44.3         | 27.3         | 11.0         | 0.0          |
| Art Museum Project                     | -           | -            | -            | -            | -            | -            | 11.4         | 6.3          | 1.8          | 0.4          |
| Rebuild Project                        | -           | -            | -            | -            | -            | -            | -            | 82.9         | 77.7         | 66.8         |
| Home Repair Program                    | -           | -            | -            | -            | -            | -            | -            | 39.2         | 39.5         | 39.8         |
| Committed to:                          |             |              |              |              |              |              |              |              |              |              |
| General Fund                           | -           | -            | -            | -            | -            | -            | -            | -            | 34.3         | -            |
| Assigned to:                           | 70.5        | 98.0         | 103.1        | 81.9         | 78.0         | 128.4        | 127.0        | 322.3        | -            | 442.7        |
| Unassigned:                            | -           | 90.0         | 23.0         | -            | -            | 23.7         | 195.0        | 125.8        | 380.2        | -            |
| Total General Fund:                    | <u>88.6</u> | <u>284.4</u> | <u>211.7</u> | <u>155.5</u> | <u>132.5</u> | <u>190.1</u> | <u>401.0</u> | <u>615.8</u> | <u>545.5</u> | <u>557.1</u> |

**All Other Governmental Funds**

|                                      |              |              |              |              |              |              |              |              |              |              |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Non-spendable:                       | 2.6          | 2.8          | 3.2          | 3.5          | 3.1          | 3.4          | 3.5          | 3.5          | 3.8          | 4.0          |
| Permanent Fund (Principal)           |              |              |              |              |              |              |              |              |              |              |
| Restricted for:                      |              |              |              |              |              |              |              |              |              |              |
| Behavioral Health                    | 230.7        | 233.7        | 188.6        | 199.6        | 220.1        | 262.3        | 279.4        | 314.3        | 291.1        | 337.1        |
| Neighborhood Revitalization          | 51.6         | 34.2         | 30.6         | 29.6         | 0.0          | 0.1          | 0.2          | 0.2          | 0.3          | 0.3          |
| Public Safety Emergency Phone System | 29.6         | 24.5         | 27.5         | 35.2         | 40.8         | 31.5         | 31.2         | 34.1         | 33.1         | 35.0         |
| Economic Development                 | 10.3         | 7.2          | 6.8          | 11.8         | 12.3         | 13.7         | 13.9         | 15.2         | 3.1          | 5.8          |
| Intergovernmental Financing          | 21.7         | 33.9         | 34.0         | 28.3         | 25.5         | 25.2         | 24.9         | 24.3         | 24.1         | 20.9         |
| Intergovernmentally Financed Pgms    | 18.9         | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Streets & Highways                   | 23.2         | 23.9         | 26.2         | 31.9         | 37.1         | 46.0         | 57.1         | 59.2         | 63.2         | 59.7         |
| Housing & Neighborhood Development   | 10.5         | 15.0         | 16.6         | 18.5         | 20.8         | 30.6         | 33.3         | 65.7         | 66.3         | 79.0         |
| Health Services                      | 9.5          | 15.2         | 10.1         | 11.0         | 11.2         | 13.4         | 17.4         | 20.6         | 22.7         | 23.3         |
| Debt Service                         | 82.4         | 81.5         | 83.1         | 81.5         | 81.6         | 72.4         | 62.9         | 54.7         | 16.0         | 13.0         |
| Capital Improvements                 | 128.5        | 29.2         | 191.6        | 70.2         | 133.1        | 24.8         | 161.0        | 88.1         | 278.5        | 112.7        |
| Trust Purposes                       | 8.3          | 8.9          | 11.8         | 12.3         | 10.2         | 10.2         | 9.4          | 10.0         | 9.7          | 9.5          |
| Parks & Recreation                   | 0.4          | 0.4          | 0.4          | 0.6          | 0.8          | 0.9          | 1.2          | 1.4          | 1.2          | 2.5          |
| Libraries & Museums                  | 0.1          | 0.1          | 0.1          | 0.0          | 3.0          | 3.3          | 3.1          | 2.5          | 2.5          | 3.0          |
| Stadium Financing                    | 6.4          | 6.8          | 7.3          | 6.7          | 6.4          | 6.0          | 5.8          | 5.0          | 10.5         | 8.4          |
| Committed to:                        |              |              |              |              |              |              |              |              |              |              |
| Prisons                              | 4.2          | 4.4          | 3.5          | 3.2          | 2.9          | 3.4          | 3.5          | 3.4          | 3.3          | 4.7          |
| Parks & Recreation                   | 0.9          | 0.7          | 0.8          | 0.9          | 1.7          | 1.3          | 1.1          | 1.4          | 1.5          | 1.5          |
| Assigned to:                         |              |              |              |              |              |              |              |              |              |              |
| Behavioral Health                    | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| PICA Rebate Fund                     | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| PMA                                  | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Unassigned:                          |              |              |              |              |              |              |              |              |              |              |
| Housing & Neighborhood Dev           | (6.5)        | (7.2)        | (7.9)        | (7.1)        | (5.3)        | (8.4)        | (8.7)        | (9.3)        | (16.2)       | (10.0)       |
| Grants Revenue Fund                  | (175.1)      | (217.1)      | (273.3)      | (213.0)      | (322.5)      | (294.3)      | (288.5)      | (317.7)      | (314.2)      | (366.8)      |
| General Mgmt & Support               | -            | -            | -            | -            | -            | -            | -            | (0.3)        | (0.2)        | -            |
| Total All Other Governmental Funds   | <u>458.1</u> | <u>298.1</u> | <u>360.7</u> | <u>324.7</u> | <u>282.7</u> | <u>245.9</u> | <u>411.6</u> | <u>376.2</u> | <u>500.4</u> | <u>343.7</u> |

<sup>1</sup> Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occurred.

**City of Philadelphia**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Years 2012 Through 2021**

**Table 4**

Amounts in millions of USD

(modified accrual basis of accounting)

|  | 2012           | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           | 2021           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenues</b>  |                |                |                |                |                |                |                |                |                |                |
| Tax Revenue  | 3,112.5        | 3,304.4        | 3,370.8        | 3,397.1        | 3,632.7        | 3,761.3        | 4,112.4        | 4,345.2        | 4,359.3        | 4,173.5        |
| Locally Generated Non-Tax Revenue                        | 336.5          | 348.6          | 387.1          | 376.6          | 367.3          | 400.5          | 417.1          | 448.0          | 447.5          | 436.5          |
| Revenue from Other Governments                           | 2,226.1        | 2,212.0        | 2,169.0        | 2,280.2        | 2,245.2        | 2,486.1        | 2,440.6        | 2,409.2        | 2,552.6        | 2,915.2        |
| Other Revenues   | 27.5           | 27.9           | 20.2           | 16.9           | 19.6           | 18.6           | 20.7           | 16.5           | 24.9           | 19.3           |
| <b>Total Revenues</b>                                    | <b>5,702.6</b> | <b>5,892.9</b> | <b>5,947.1</b> | <b>6,070.8</b> | <b>6,264.8</b> | <b>6,646.5</b> | <b>6,990.8</b> | <b>7,218.9</b> | <b>7,384.3</b> | <b>7,544.5</b> |
| <b>Expenditures</b>                                      |                |                |                |                |                |                |                |                |                |                |
| Current Operating:                                       |                |                |                |                |                |                |                |                |                |                |
| Economic Development                                     | 88.9           | 85.9           | 83.7           | 82.5           | 101.1          | 100.5          | 104.2          | 102.0          | 113.5          | 58.1           |
| Transportation:  |                |                |                |                |                |                |                |                |                |                |
| Streets & Highways                                       | 75.6           | 81.6           | 98.1           | 96.2           | 105.1          | 98.7           | 108.4          | 139.8          | 137.2          | 132.4          |
| Mass Transit   | 67.7           | 66.5           | 67.5           | 71.7           | 76.1           | 79.9           | 82.0           | 84.9           | 86.6           | 85.2           |
| Judiciary and Law Enforcement:                           |                |                |                |                |                |                |                |                |                |                |
| Police   | 1,020.0        | 1,089.4        | 1,164.9        | 1,104.6        | 1,162.5        | 1,169.7        | 1,237.6        | 1,256.9        | 1,306.9        | 1,223.1        |
| Prisons  | 318.2          | 338.7          | 346.3          | 343.9          | 365.1          | 372.6          | 375.1          | 336.9          | 361.1          | 305.6          |
| Courts   | 312.3          | 309.2          | 317.9          | 321.5          | 329.9          | 339.6          | 339.5          | 350.3          | 358.1          | 343.6          |
| Conservation of Health:                                  |                |                |                |                |                |                |                |                |                |                |
| Emergency Medical Services                               | 46.7           | 50.0           | 65.8           | 66.1           | 64.9           | 75.8           | 68.7           | 70.0           | 74.1           | 79.1           |
| Health Services  | 1,492.7        | 1,464.6        | 1,510.3        | 1,419.8        | 1,573.1        | 1,608.3        | 1,656.5        | 1,646.4        | 1,837.3        | 1,983.7        |
| Housing and Neighborhood Development                     | 133.8          | 102.8          | 80.3           | 80.9           | 80.1           | 81.4           | 94.3           | 106.7          | 132.0          | 123.9          |
| Cultural and Recreational:                               |                |                |                |                |                |                |                |                |                |                |
| Recreation   | 85.9           | 90.3           | 98.6           | 103.9          | 104.8          | 107.1          | 112.3          | 117.9          | 112.8          | 114.2          |
| Parks  | 6.1            | 3.9            | 1.2            | 1.8            | 1.5            | 3.4            | 2.9            | 2.7            | 2.2            | 2.5            |
| Libraries and Museums                                    | 71.9           | 72.0           | 74.9           | 79.1           | 81.4           | 84.4           | 91.9           | 100.3          | 104.0          | 90.9           |
| Improvements to General Welfare:                         |                |                |                |                |                |                |                |                |                |                |
| Social Services  | 674.3          | 624.3          | 655.3          | 687.8          | 687.1          | 731.7          | 730.6          | 726.7          | 735.9          | 726.5          |
| Education  | 74.3           | 94.4           | 167.5          | 126.0          | 134.5          | 134.2          | 134.7          | 213.3          | 263.2          | 294.2          |
| Inspections and Demolitions                              | 32.2           | 45.8           | 40.8           | 41.5           | 64.0           | 44.5           | 53.1           | 56.3           | 56.3           | 54.7           |
| Service to Property:                                     |                |                |                |                |                |                |                |                |                |                |
| Sanitation   | 146.2          | 137.2          | 144.8          | 146.9          | 152.4          | 154.3          | 153.5          | 150.3          | 161.9          | 159.6          |
| Fire   | 267.8          | 295.9          | 344.2          | 346.4          | 355.0          | 353.5          | 399.4          | 471.8          | 467.7          | 463.2          |
| General Management and Support                           | 619.1          | 622.8          | 646.7          | 662.3          | 686.4          | 718.1          | 789.9          | 810.1          | 929.2          | 1,053.8        |
| Capital Outlay   | 202.0          | 161.1          | 140.1          | 189.7          | 206.1          | 145.5          | 455.7          | 208.0          | 211.0          | 219.9          |
| Debt Service:  |                |                |                |                |                |                |                |                |                |                |
| Principal  | 103.2          | 114.1          | 120.3          | 339.8          | 139.5          | 145.0          | 152.6          | 139.7          | 198.0          | 214.0          |
| Interest   | 105.2          | 112.2          | 118.0          | 120.7          | 107.5          | 106.2          | 112.7          | 114.2          | 107.4          | 114.4          |
| Bond Issuance Cost                                       | 1.6            | 4.4            | 5.0            | 7.2            | 3.3            | 3.2            | 3.9            | 3.4            | 18.6           | 1.6            |
| <b>Total Expenditures</b>                                | <b>5,945.7</b> | <b>5,967.1</b> | <b>6,292.2</b> | <b>6,440.3</b> | <b>6,581.4</b> | <b>6,657.6</b> | <b>7,259.5</b> | <b>7,208.6</b> | <b>7,775.0</b> | <b>7,844.2</b> |
| Excess of Revenues Over (Under) Expenditures             | (243.1)        | (74.2)         | (345.1)        | (369.5)        | (316.6)        | (11.1)         | (268.7)        | 10.3           | (390.7)        | (299.7)        |
| <b>Other Financing Sources (Uses)</b>                    |                |                |                |                |                |                |                |                |                |                |
| Issuance of Debt   | 12.6           | 299.8          | 293.8          | 30.0           | 191.6          | -              | 314.1          | 119.5          | 293.4          | -              |
| Issuance of Refunding Debt                               | 112.6          | 231.2          | 363.6          | 195.7          | 234.2          | 346.1          | 108.3          | 188.7          | 326.2          | 137.0          |
| Bond Issuance Premium                                    | 16.6           | 0.8            | 31.4           | 21.3           | 53.9           | 40.7           | 60.2           | 33.5           | 93.8           | -              |
| Proceeds from Lease & Service Agreements                 | -              | (252.7)        | -              | -              | -              | -              | -              | -              | -              | -              |
| Capital Lease Proceeds                                   | -              | -              | -              | -              | -              | -              | 252.5          | -              | 2.2            | 0.4            |
| Payment to Refunded Bonds Escrow Agent                   | (127.3)        | (190.5)        | (382.2)        | -              | (259.6)        | (383.5)        | (123.1)        | (212.5)        | (305.7)        | (20.0)         |
| Transfers In   | 600.8          | 613.1          | 616.3          | 661.9          | 686.3          | 731.4          | 802.5          | 925.5          | 819.7          | 864.2          |
| Transfers Out  | (573.3)        | (591.7)        | (587.9)        | (631.6)        | (654.7)        | (702.9)        | (769.2)        | (885.6)        | (785.0)        | (827.0)        |
| <b>Total Other Financing Sources (Uses)</b>              | <b>42.0</b>    | <b>110.0</b>   | <b>335.0</b>   | <b>277.3</b>   | <b>251.7</b>   | <b>31.8</b>    | <b>645.3</b>   | <b>169.1</b>   | <b>444.6</b>   | <b>154.6</b>   |
| <b>Net Change in Fund Balances</b>                       | <b>(201.1)</b> | <b>35.8</b>    | <b>(10.1)</b>  | <b>(92.2)</b>  | <b>(64.9)</b>  | <b>20.7</b>    | <b>376.6</b>   | <b>179.4</b>   | <b>53.9</b>    | <b>(145.1)</b> |
| Debt Service as a Percentage of Non-capital Expenditures | 3.6%           | 3.9%           | 3.9%           | 7.4%           | 3.9%           | 3.9%           | 3.9%           | 3.6%           | 4.0%           | 4.3%           |

<sup>10</sup> Effective April 15, 2023, the City implemented a change to the basis on which the Business Income and Receipts Tax is collected requiring an estimated payment applicable to the next year's tax liability. \$166.9 million of these estimated tax payments were deferred in the general fund in FY2013 because the underlying events had not occurred.

Table 5

**City of Philadelphia**  
**Comparative Schedule of Operations**  
**Municipal Pension Fund**  
**For the Fiscal Years 2012 through 2021**

*Amounts in millions of USD*

|   | <u>2012</u>                      | <u>2013</u>                      | <u>2014</u>                      | <u>2015</u>                      | <u>2016</u>                      | <u>2017</u>                      | <u>2018</u>                      | <u>2019</u>                      | <u>2020</u>                      | <u>2021</u>                      |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>Additions:</b>   |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| Contributions:  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| Employee Contributions  | 50.0                             | 49.6                             | 53.7                             | 58.7                             | 67.1                             | 73.6                             | 83.3                             | 99.1                             | 111.8                            | 111.3                            |
| Employer's:   |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| City of Philadelphia  | 539.8                            | 763.7                            | 533.4                            | 556.1                            | 629.4                            | 678.8                            | 756.1                            | 772.6                            | 747.4                            | 768.2                            |
| Quasi-Governmental Agencies                                     | 16.2                             | 18.1                             | 19.8                             | 21.1                             | 30.8                             | 27.4                             | 25.9                             | 25.2                             | 21.4                             | 20.3                             |
| <b>Total Employer's Contributions</b>                           | <b>556.0</b>                     | <b>781.8</b>                     | <b>553.2</b>                     | <b>577.2</b>                     | <b>660.2</b>                     | <b>706.2</b>                     | <b>782.0</b>                     | <b>797.8</b>                     | <b>768.8</b>                     | <b>788.5</b>                     |
| <b>Total Contributions</b>                                      | <b>606.0</b>                     | <b>831.4</b>                     | <b>606.9</b>                     | <b>635.9</b>                     | <b>727.3</b>                     | <b>779.8</b>                     | <b>865.3</b>                     | <b>896.9</b>                     | <b>880.6</b>                     | <b>899.8</b>                     |
| Interest & Dividends  | 86.2                             | 122.9                            | 102.2                            | 98.4                             | 101.5                            | 108.5                            | 127.9                            | 132.7                            | 130.0                            | 127.7                            |
| Net Gain (Decline) in Fair Value of Investments                 | (57.7)                           | 213.9                            | 585.4                            | (76.8)                           | (239.8)                          | 462.9                            | 318.2                            | 176.6                            | (38.1)                           | 1,521.8                          |
| (Less) Investment Expenses                                      | (13.3)                           | (12.2)                           | (10.2)                           | (9.8)                            | (9.1)                            | (8.0)                            | (7.5)                            | (7.5)                            | (6.7)                            | (7.2)                            |
| Net Securities Lending Revenue                                  | 2.1                              | 3.0                              | 4.2                              | 2.2                              | 1.9                              | 1.8                              | 1.8                              | 2.2                              | 2.1                              | 1.2                              |
| Securities Lending Unrealized Loss                              | (1.9)                            | 118.0                            | 0.0                              | 0.0                              | 0.0                              | 0.0                              | 0.0                              | 0.0                              | 0.0                              | -                                |
| (Less) Securities Lending Expenses                              | (0.9)                            | (0.3)                            | (0.6)                            | (0.3)                            | (0.3)                            | (0.3)                            | (0.3)                            | (0.3)                            | (0.3)                            | (0.2)                            |
| <b>Net Investment Income (Loss)</b>                             | <b>14.5</b>                      | <b>445.3</b>                     | <b>681.0</b>                     | <b>13.7</b>                      | <b>(145.8)</b>                   | <b>564.9</b>                     | <b>440.1</b>                     | <b>303.7</b>                     | <b>87.0</b>                      | <b>1,643.3</b>                   |
| Miscellaneous Operating Revenue                                 | 0.0                              | 0.5                              | 0.5                              | 0.1                              | 0.1                              | 1.8                              | 0.2                              | 0.1                              | 0.1                              | 0.2                              |
| <b>Total Additions</b>  | <b>620.5</b>                     | <b>1,277.2</b>                   | <b>1,288.4</b>                   | <b>649.7</b>                     | <b>581.6</b>                     | <b>1,346.5</b>                   | <b>1,305.6</b>                   | <b>1,200.7</b>                   | <b>967.7</b>                     | <b>2,543.3</b>                   |
| <b>Deductions:</b>  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| Pension Benefits  | 706.2                            | 740.7                            | 802.6                            | 876.4                            | 882.0                            | 813.3                            | 819.8                            | 832.4                            | 854.0                            | 883.6                            |
| Refunds to Members  | 6.5                              | 5.7                              | 6.0                              | 5.3                              | 7.4                              | 8.2                              | 8.5                              | 10.0                             | 8.3                              | 7.9                              |
| Administrative Costs  | 0.0                              | 8.2                              | 8.3                              | 10.4                             | 8.4                              | 8.8                              | 10.0                             | 11.1                             | 10.8                             | 9.7                              |
| Other Operating Expenses  | 15.2                             | 0.2                              | 0.0                              | 0.1                              | 0.1                              | 0.1                              | 0.1                              | 0.1                              | 0.1                              | 0.0                              |
| <b>Total Deductions</b>   | <b>727.9</b>                     | <b>754.8</b>                     | <b>816.9</b>                     | <b>892.1</b>                     | <b>897.9</b>                     | <b>830.4</b>                     | <b>838.4</b>                     | <b>853.6</b>                     | <b>873.2</b>                     | <b>901.2</b>                     |
| <b>Net Increase (Decrease)</b>                                  | <b>(107.4)</b>                   | <b>522.4</b>                     | <b>471.5</b>                     | <b>(242.4)</b>                   | <b>(316.3)</b>                   | <b>516.1</b>                     | <b>467.2</b>                     | <b>347.1</b>                     | <b>94.5</b>                      | <b>1,642.1</b>                   |
| <b>Net Assets: Adjusted Opening Closing</b>                     | <b>4,030.2</b><br><b>3,922.8</b> | <b>3,922.8</b><br><b>4,445.2</b> | <b>4,445.2</b><br><b>4,916.7</b> | <b>4,916.7</b><br><b>4,674.3</b> | <b>4,674.3</b><br><b>4,358.0</b> | <b>4,358.0</b><br><b>4,874.1</b> | <b>4,874.1</b><br><b>5,341.3</b> | <b>5,341.3</b><br><b>5,688.4</b> | <b>5,688.4</b><br><b>5,782.9</b> | <b>5,782.9</b><br><b>7,425.0</b> |
| <b>Ratios:</b>  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| Pension Benefits Paid as a Percent of Net Members Contributions | 1623.45%                         | 1687.24%                         | 1682.60%                         | 1640.28%                         | 1477.39%                         | 1243.58%                         | 1095.99%                         | 934.23%                          | 825.12%                          | 854.55%                          |
| Closing Net Assets  | 18.00%                           | 16.66%                           | 16.32%                           | 18.75%                           | 20.24%                           | 16.69%                           | 15.35%                           | 14.63%                           | 14.77%                           | 11.90%                           |
| Coverage of Additions over Deductions                           | 85.25%                           | 169.21%                          | 157.72%                          | 72.83%                           | 64.77%                           | 162.15%                          | 155.73%                          | 140.66%                          | 110.82%                          | 282.21%                          |
| Investment Earnings as % of Pension Benefits                    | 2.05%                            | 60.12%                           | 84.85%                           | 1.56%                            | -16.53%                          | 69.46%                           | 53.68%                           | 36.48%                           | 10.19%                           | 185.98%                          |

**City of Philadelphia**  
**Wage and Earnings Tax Taxable Income**  
**For the Calendar Years 2011 Through 2020**

**Table 6**

*Amounts in millions of USD*

| Year | City Residents    |               |                             | Non-City Residents |               |                             | Total             |                |
|------|-------------------|---------------|-----------------------------|--------------------|---------------|-----------------------------|-------------------|----------------|
|      | Taxable<br>Income | %<br>of Total | Direct<br>Rate <sup>1</sup> | Taxable<br>Income  | %<br>of Total | Direct<br>Rate <sup>1</sup> | Taxable<br>Income | Direct<br>Rate |
| 2011 | 22,726.3          | 57.06%        | 3.92800%                    | 17,102.2           | 42.94%        | 3.49850%                    | 39,828.5          | 3.74357%       |
| 2012 | 23,461.6          | 57.26%        | 3.92800%                    | 17,513.6           | 42.74%        | 3.49850%                    | 40,975.2          | 3.74442%       |
| 2013 | 24,320.8          | 57.50%        | 3.92600%                    | 17,974.3           | 42.50%        | 3.49675%                    | 42,295.1          | 3.74358%       |
| 2014 | 25,602.1          | 57.70%        | 3.92200%                    | 18,767.3           | 42.30%        | 3.49325%                    | 44,369.4          | 3.74065%       |
| 2015 | 26,668.6          | 57.62%        | 3.91510%                    | 19,611.3           | 42.38%        | 3.48715%                    | 46,279.9          | 3.73375%       |
| 2016 | 28,609.5          | 58.69%        | 3.90530%                    | 20,140.1           | 41.31%        | 3.47845%                    | 48,749.6          | 3.72895%       |
| 2017 | 30,461.1          | 59.19%        | 3.89555%                    | 21,005.2           | 40.81%        | 3.46975%                    | 51,466.3          | 3.72177%       |
| 2018 | 32,170.7          | 59.88%        | 3.88580%                    | 21,550.3           | 40.12%        | 3.46105%                    | 53,721.0          | 3.71541%       |
| 2019 | 34,119.7          | 60.10%        | 3.87605%                    | 22,649.7           | 39.90%        | 3.45240%                    | 56,769.4          | 3.70702%       |
| 2020 | 34,431.6          | 63.67%        | 3.87120%                    | 19,649.9           | 36.33%        | 3.47500%                    | 54,081.5          | 3.72725%       |

**Note:**

The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

<sup>1</sup> In 2013 to 2015, the rate changed on July 1st. The direct rate is an average of the two rates involved during that calendar year.

**City of Philadelphia**  
**Direct and Overlapping Tax Rates**  
**For the Ten Fiscal Years 2012 through 2021**

Table 7

**Tax Classification**

**Wage and Earnings Tax:**

<sup>a</sup> City Residents

Non-City Residents

|                             | <u>2012</u>          | <u>2013</u>          | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|-----------------------------|----------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <sup>a</sup> City Residents | 3.9280% <sup>b</sup> | 3.9280% <sup>b</sup> | 3.9240%     | 3.9200%     | 3.9102%     | 3.9004%     | 3.8907%     | 3.8809%     | 3.8712%     | 3.8712%     |
| Non-City Residents          | 3.4985% <sup>b</sup> | 3.4985% <sup>b</sup> | 3.4950%     | 3.4915%     | 3.4828%     | 3.4741%     | 3.4654%     | 3.4567%     | 3.4481%     | 3.5019%     |

Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

**<sup>d</sup> Real Property: (% on Assessed Valuation)**

|   |        |        |         |         |         |         |         |         |         |        |
|---|--------|--------|---------|---------|---------|---------|---------|---------|---------|--------|
| City  | 4.123% | 4.462% | 0.602%  | 0.602%  | 0.632%  | 0.632%  | 0.632%  | 0.632%  | 0.632%  | 0.632% |
| School District of Philadelphia                               | 5.309% | 5.309% | 0.738%  | 0.738%  | 0.768%  | 0.768%  | 0.768%  | 0.768%  | 0.768%  | 0.768% |
| Total Real Property Tax                                       | 9.432% | 9.771% | 1.340%  | 1.340%  | 1.400%  | 1.400%  | 1.400%  | 1.400%  | 1.400%  | 1.400% |
| <sup>e</sup> Assessment Ratio                                 | 28.87% | 28.68% | 224.40% | 213.95% | 167.26% | 167.14% | 167.14% | 132.88% | 125.08% | NA     |
| Effective Tax Rate<br>(Real Property Rate x Assessment Ratio) | 2.723% | 2.802% | 3.007%  | 2.867%  | 2.341%  | 2.340%  | 2.340%  | 1.860%  | 1.751%  | NA     |

The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest if you pay your bill on or before the last day of February, you receive a 1% discount.

**Real Property Transfer Tax**

|                                  |      |      |      |      |      |      |      |      |      |      |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|
| City                             | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.1% | 3.1% | 3.3% | 3.3% | 3.3% |
| Commonwealth of Pennsylvania     | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Total Real Property Transfer Tax | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.1% | 4.1% | 4.3% | 4.3% | 4.3% |

Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate. Certain long term leases are also subject to this tax.

**<sup>c</sup> Business Income and Receipts Taxes**

|                                |         |         |         |         |         |         |         |         |         |         |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| (% on Gross Receipts)          | 0.1415% | 0.1415% | 0.1415% | 0.1415% | 0.1415% | 0.1415% | 0.1415% | 0.1415% | 0.1415% | 0.1415% |
| <sup>f</sup> (% on Net Income) | 6.4500% | 6.4500% | 6.4300% | 6.4100% | 6.3900% | 6.3500% | 6.3000% | 6.2500% | 6.2000% | 6.2000% |

Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BIRT Return.

**<sup>c</sup> Net Profits Tax:**

<sup>a</sup> City Residents

Non-City Residents

|                             |         |         |         |         |         |         |         |         |         |         |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <sup>a</sup> City Residents | 3.9280% | 3.9240% | 3.9200% | 3.9102% | 3.9004% | 3.8907% | 3.8809% | 3.8712% | 3.8712% | 3.8398% |
| Non-City Residents          | 3.4985% | 3.4950% | 3.4915% | 3.4828% | 3.4741% | 3.4654% | 3.4567% | 3.4481% | 3.5019% | 3.4481% |

Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.

**City of Philadelphia**  
**Direct and Overlapping Tax Rates**  
**For the Ten Fiscal Years 2012 through 2021**

**Table 7**

| <b><u>Tax Classification</u></b>   | <b><u>2012</u></b> | <b><u>2013</u></b> | <b><u>2014</u></b> | <b><u>2015</u></b> | <b><u>2016</u></b> | <b><u>2017</u></b> | <b><u>2018</u></b> | <b><u>2019</u></b> | <b><u>2020</u></b> | <b><u>2021</u></b> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Sales Tax</b>   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| City   | 2.0%               | 2.0%               | 2.0%               | 2.0%               | 2.0%               | 2.0%               | 2.0%               | 2.0%               | 2.0%               | 2.0%               |
| Commonwealth of Pennsylvania   | 6.0%               | 6.0%               | 6.0%               | 6.0%               | 6.0%               | 6.0%               | 6.0%               | 6.0%               | 6.0%               | 6.0%               |
| <b>Total Sales Tax</b>   | <b>8.0%</b>        | <b>8.0%</b>        | <b>8.0%</b>        | <b>8.0%</b>        | <b>8.0%</b>        | <b>8.0%</b>        | <b>8.0%</b>        | <b>8.0%</b>        | <b>8.0%</b>        | <b>8.0%</b>        |
| <b>Amusement Tax</b>   | <b>5.0%</b>        | <b>5.0%</b>        | <b>5.0%</b>        | <b>5.0%</b>        | <b>5.0%</b>        | <b>5.0%</b>        | <b>5.0%</b>        | <b>5.0%</b>        | <b>5.0%</b>        | <b>5.0%</b>        |
| Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Parking Lot Tax</b>   | <b>20.0%</b>       | <b>20.0%</b>       | <b>20.0%</b>       | <b>20.0%</b>       | <b>22.5%</b>       | <b>22.5%</b>       | <b>22.5%</b>       | <b>22.5%</b>       | <b>22.5%</b>       | <b>25.0%</b>       |
| Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Hotel Room Rental Tax</b>   | <b>8.2%</b>        | <b>8.2%</b>        | <b>8.5%</b>        | <b>8.5%</b>        | <b>8.5%</b>        | <b>8.5%</b>        | <b>8.5%</b>        | <b>8.5%</b>        | <b>8.5%</b>        | <b>8.5%</b>        |
| <b>Rate of Tourism &amp; Marketing Tax</b>   | <b>1.0%</b>        | <b>1.0%</b>        | <b>1.0%</b>        | <b>1.0%</b>        | <b>1.0%</b>        | <b>1.0%</b>        | <b>1.0%</b>        | <b>1.0%</b>        | <b>1.0%</b>        | <b>1.0%</b>        |
|  | <b>9.2%</b>        | <b>9.2%</b>        | <b>9.5%</b>        | <b>9.5%</b>        | <b>9.5%</b>        | <b>9.5%</b>        | <b>9.5%</b>        | <b>9.5%</b>        | <b>9.5%</b>        | <b>9.5%</b>        |
| Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations. |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Vehicle Rental Tax</b>  | <b>2.0%</b>        | <b>2.0%</b>        | <b>2.0%</b>        | <b>2.0%</b>        | <b>2.0%</b>        | <b>2.0%</b>        | <b>2.0%</b>        | <b>2.0%</b>        | <b>2.0%</b>        | <b>2.0%</b>        |
| Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |

<sup>a</sup> Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

<sup>b</sup> Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31.

<sup>c</sup> Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

<sup>d</sup> Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

<sup>e</sup> The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

<sup>f</sup> 60% of the Net Income portion of the Business Income and Receipts Tax is allowed to be credited against the Net Profits Tax.



City of Philadelphia  
Principal Wage and Earnings Tax Remitters <sup>1</sup>  
Current Calendar Year and Nine Years Ago

Table 8

*Amounts in millions of USD*

| Remittance<br>Range                | 2020                          |                             |                                    | 2011                          |                             |                                    |
|------------------------------------|-------------------------------|-----------------------------|------------------------------------|-------------------------------|-----------------------------|------------------------------------|
|                                    | # of Remitters<br>(Employers) | Total<br>Amount<br>Remitted | Percentage<br>of Total<br>Remitted | # of Remitters<br>(Employers) | Total<br>Amount<br>Remitted | Percentage<br>of Total<br>Remitted |
| Greater than \$10 million          | 19                            | \$558.7                     | 27.72%                             | 17                            | \$410.2                     | 27.51%                             |
| Between \$1 million & \$10 million | 201                           | 490.1                       | 24.31%                             | 154                           | 350.3                       | 23.49%                             |
| Between \$100,000 & \$1 million    | 2,064                         | 534.3                       | 26.51%                             | 1,544                         | 394.2                       | 26.44%                             |
| Between \$10,000 & \$100,000       | 10,966                        | 324.7                       | 16.11%                             | 8,530                         | 253.2                       | 16.98%                             |
| Less than \$10,000                 | 44,881                        | 107.9                       | 5.35%                              | 36,547                        | 83.1                        | 5.58%                              |
| Total                              | <u>58,131</u>                 | <u>\$2,015.7</u>            | <u>100.00%</u>                     | <u>46,792</u>                 | <u>\$1,491.0</u>            | <u>100.00%</u>                     |

<sup>1</sup> Wage & Earnings information for individual remitters is confidential

**City of Philadelphia**  
**Assessed Value and Estimated Value of Taxable Property**  
**For the Calendar Years 2012 through 2021**

**Table 9**

*Amounts in millions of USD*

| Calendar Year of Levy <sup>1</sup> | Assessed Value on Certification Date <sup>3</sup> | Less: Tax-Exempt Property <sup>2,3</sup> | Less: Homestead Exemption <sup>7</sup> | Total Taxable Assessed Value <sup>2,3</sup> | Adjustments between Certification Date and Billing Date <sup>3</sup> | Total Taxable Assessed Value on Billing Date | Total Direct Tax Rate <sup>4</sup> | STEB Ratio <sup>5</sup> | Estimated Actual Taxable Value (STEB) | Sales Ratio <sup>6</sup> | Estimated Actual Taxable Value (Sales) |
|------------------------------------|---|--|--|---|--|--|------------------------------------|-------------------------|---------------------------------------|--------------------------|--|
| 2012                               | 18,022  | 5,685                                    |  | 12,337                                      |  | 12,337                                       | 4.123%                             | 28.87%                  | 42,733                                | 13.13%                   | 93,960                                 |
| 2013                               | 18,181  | 5,765                                    |  | 12,416                                      |  | 12,416                                       | 4.462%                             | 28.68%                  | 43,291                                | 11.88%                   | 104,512                                |
| 2014                               | 137,404   | 37,462                                   | 5,429                                  | 94,513                                      | (2,590)  | 91,923                                       | 0.602%                             | 224.40%                 | 42,118                                | 90.48%                   | 104,457                                |
| 2015                               | 136,341   | 37,223                                   | 6,411                                  | 92,707                                      | (1,777)  | 90,930                                       | 0.602%                             | 213.95%                 | 43,331                                | 90.60%                   | 102,326                                |
| 2016                               | 136,295   | 38,386                                   | 6,372                                  | 91,537                                      | (1,369)  | 90,168                                       | 0.632%                             | 167.26%                 | 54,727                                | 92.96%                   | 98,469                                 |
| 2017                               | 136,682   | 38,552                                   | 6,389                                  | 91,741                                      | 105  | 91,846                                       | 0.632%                             | 167.14%                 | 54,889                                | 94.20%                   | 97,390                                 |
| 2018                               | 152,995   | 41,738                                   | 6,268                                  | 104,989                                     | (811)  | 104,178                                      | 0.632%                             | 167.14%                 | 62,815                                | 95.78%                   | 109,615                                |
| 2019                               | 164,672   | 42,767                                   | 6,349                                  | 115,556                                     | (3,313)  | 112,243                                      | 0.632%                             | 132.88%                 | 86,963                                | 106.00%                  | 109,015                                |
| 2020                               | 168,263   | 44,095                                   | 8,592                                  | 115,576                                     | (1,225)  | 114,351                                      | 0.632%                             | 125.08%                 | 92,402                                | 98.80%                   | 116,980                                |
| 2021                               | 170,224   | 44,356                                   | 9,714                                  | 116,154                                     | (641)  | 115,513                                      | 0.632%                             | NA                      | NA                                    | NA                       | NA                                     |

<sup>1</sup> Real property tax bills are normally sent out in December and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

<sup>2</sup> Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

<sup>3</sup> Source: Office of Property Assessment. Beginning in 2014:

- a) the Assessed Value Certification Date was moved up to 3/31/2013; in prior years, the Certification Date occurred on or slightly before the Billing Date (in November)
- b) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

<sup>4</sup> Total Direct Tax Rate is City portion only and excludes the School District portion (see statistical table #7 for breakdown).

<sup>5</sup> The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13.

<sup>6</sup> This ratio is compiled by the Office of Property Assessment based on sales of property during the year.

<sup>7</sup> Starting in 2014, the City provided for a \$30,000 Homestead Exemption (amount subject to change) to all homeowners.

**City of Philadelphia**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

**Table 10**

*Amounts in millions of USD*

| Taxpayer                               | 2021                    |      |                                 | 2012                    |      |                                 |
|--|-------------------------|------|---------------------------------|-------------------------|------|---------------------------------|
|  | Assessment <sup>1</sup> | Rank | Percentage of Total Assessments | Assessment <sup>1</sup> | Rank | Percentage of Total Assessments |
| Kim Sub Cira Square LP                 | 370.6                   | 1    | 0.32                            | -                       | -    | -                               |
| Liberty Property Phila                 | 359.0                   | 2    | 0.31                            | -                       | -    | -                               |
| EQC Nine Penn Center Prop.             | 352.1                   | 3    | 0.30                            | 54.1                    | 3    | 0.14                            |
| NG 1500 Market St. LLC                 | 349.9                   | 4    | 0.30                            | 43.8                    | 4    | 0.11                            |
| Phila Liberty Pla E LP                 | 315.0                   | 5    | 0.27                            | 54.4                    | 2    | 0.14                            |
| Park Towne Place Assoc.                | 276.9                   | 6    | 0.24                            | -                       | -    | -                               |
| Commerce Square Partners               | 266.4                   | 7    | 0.23                            | 33.3                    | 8    | 0.09                            |
| Phila Plaza Phaze II                   | 252.7                   | 8    | 0.22                            | 33.9                    | 7    | 0.09                            |
| Philadelphia Market Street             | 250.3                   | 9    | 0.22                            | 28.8                    | 10   | 0.07                            |
| Brandywine Operating                   | 236.4                   | 10   | 0.20                            | 40.6                    | 5    | 0.11                            |
| Franklin Mills Associates              | -                       | -    | -                               | 57.6                    | 1    | 0.15                            |
| PRU 1901 Market LLC                    | -                       | -    | -                               | 35.2                    | 6    | 0.09                            |
| Phila Shipyard Development Corp        | -                       | -    | -                               | 30.3                    | 9    | 0.08                            |
|  | 3,029.3                 |      | 2.60                            | 412.0                   |      | 1.07                            |
| Taxable Assessments (before Homestead) | 125,867.6               |      | 100.00                          | 38,553.2                |      | 100.00                          |
| Less Homestead Exemption <sup>2</sup>  | 9,713.8                 |      |                                 | 0.0                     |      |                                 |
| Total Taxable Assessments              | 116,153.8               |      |                                 | 38,553.2                |      |                                 |

<sup>1</sup> Source: Office of Property Assessment.

a) 2021 Assessment as of March 2020.

b) 2012 Assessment as of November 2011.

<sup>2</sup> In calendar year 2014,

a) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

b) the City initiated a new \$30,000 Homestead Exemption to all homeowners.

**City of Philadelphia  
Real Property Tax Levied and Collected  
For the Calendar Years 2012 through 2021  
General Fund**

**Table 11**

*Amounts in millions of USD*

| Calendar Year | Taxes Levied for the Year **1 | Taxes Levied Based on Adjusted Assessment **2 | Percentage                                 |  | Collected in Subsequent Years **4 | Percentage                                 |  | Total Collected to Date: All Years | Collected to Date: All Years **5 |
|---------------|-------------------------------|---|--|--|-----------------------------------|--|--|------------------------------------|----------------------------------|
|               |                               |   | Collected in the Calendar Year of Levy **3 | Collected in the Calendar Year of Levy **5 |                                   | Collected in the Calendar Year of Levy **5 | Collected in the Calendar Year of Levy **5 |                                    |                                  |
| 2012          | 508.6                         | 490.6   | 459.2                                      | 93.6%                                      | 26.4                              | 485.6                                      | 99.0%                                      | 485.6                              | 99.0%                            |
| 2013          | 554.0                         | 537.3   | 505.6                                      | 94.1%                                      | 28.2                              | 533.8                                      | 99.3%                                      | 533.8                              | 99.3%                            |
| 2014          | 553.2                         | 514.2   | 482.1                                      | 93.8%                                      | 30.4                              | 512.5                                      | 99.7%                                      | 512.5                              | 99.7%                            |
| 2015          | 547.4                         | 516.7   | 489.1                                      | 94.7%                                      | 27.5                              | 516.6                                      | 100.0%                                     | 516.6                              | 100.0%                           |
| 2016          | 569.9                         | 548.4   | 525.2                                      | 95.8%                                      | 21.7                              | 546.9                                      | 99.7%                                      | 546.9                              | 99.7%                            |
| 2017          | 580.5                         | 564.7   | 542.9                                      | 96.1%                                      | 21.1                              | 564.0                                      | 99.9%                                      | 564.0                              | 99.9%                            |
| 2018          | 658.1                         | 627.5   | 604.4                                      | 96.3%                                      | 16.0                              | 620.4                                      | 98.9%                                      | 620.4                              | 98.9%                            |
| 2019          | 709.4                         | 682.8   | 660.4                                      | 96.7%                                      | 12.0                              | 672.4                                      | 98.5%                                      | 672.4                              | 98.5%                            |
| 2020          | 722.7                         | 703.4   | 672.3                                      | 95.6%                                      | 11.4                              | 683.7                                      | 97.2%                                      | 683.7                              | 97.2%                            |
| 2021          | 729.7                         | 720.5   | 670.2                                      | NA   | NA                                | 670.2                                      | NA   | 670.2                              | NA                               |

\*\*1 Taxes are levied on a calendar year basis, this column represents the initial bill. They are due on March 31st.

\*\*2 Adjustments include assessment appeals, a 1% discount for payment in full by the end of February (for years prior to 2021), the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid. For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.

\*\*3 For 2021, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections through the end of June 2021.

\*\*4 Includes payments from capitalized interest. This capitalization occurs only after the first year of the levy on any amount that remains unpaid at that time. Note that all amounts in this table pertain to the General Fund only and do not include amounts levied and collected for the school district.

The collection percentages for the school district are the same as for the General Fund.

\*\*5 For calendar year 2021, data is unavailable for "percentage collected in the calendar year of levy" and

"percentage collected to date: all years", since collections in the calendar year does not include the full 12 months; it includes collections through the end of June 2021.

**City of Philadelphia**  
**Ratios of Outstanding Debt by Type**  
**For the Fiscal Years 2012 through 2021**

**Table 12**

*Amounts in millions of USD (except per capita)*

| Fiscal Year | Governmental Activities  |                |                           |                        |  |                       |                         |                         |                                |                      |      | Affordable Housing Project |
|-------------|--------------------------|----------------|---------------------------|------------------------|--|-----------------------|-------------------------|-------------------------|--------------------------------|----------------------|------|----------------------------|
|             | General Obligation Bonds | Capital Leases | Pension Service Agreement | City Service Agreement | Neighborhood Transformation Initiative | One Parkway Agreement | Sports Stadia Agreement | Central Library Project | Cultural & Commercial Corridor | PAID School District |      |                            |
| 2012        | 2,041.1                  | 40.6           | 1,379.3                   | -                      | 240.3                                  | 41.9                  | 310.0                   | 7.7                     | 122.8                          | -                    | -    |                            |
| 2013        | 1,968.7                  | 28.9           | 1,171.3                   | 423.3                  | 234.1                                  | 41.8                  | 313.0                   | 7.7                     | 119.9                          | -                    | -    |                            |
| 2014        | 2,139.7                  | 16.9           | 1,121.4                   | 299.8                  | 225.5                                  | 39.6                  | 300.6                   | 7.2                     | 116.0                          | 27.3                 | -    |                            |
| 2015        | 1,996.0                  | 12.9           | 1,063.2                   | 299.8                  | 216.4                                  | 37.3                  | 291.9                   | 6.7                     | 111.8                          | 43.3                 | -    |                            |
| 2016        | 2,073.6                  | 8.8            | 997.5                     | 299.8                  | 205.8                                  | 34.9                  | 277.2                   | 6.7                     | 108.5                          | 29.1                 | -    |                            |
| 2017        | 1,953.1                  | 4.4            | 927.2                     | 299.8                  | 195.8                                  | 32.4                  | 263.6                   | 6.0                     | 102.2                          | 14.7                 | -    |                            |
| 2018        | 2,078.4                  | 249.3          | 852.3                     | 299.8                  | 185.3                                  | 30.4                  | 248.9                   | 5.3                     | 96.3                           | -                    | 60.2 |                            |
| 2019        | 1,927.2                  | 244.2          | 772.3                     | 299.8                  | 213.3                                  | 27.1                  | 234.3                   | 4.6                     | 90.4                           | -                    | 57.7 |                            |
| 2020        | 2,091.8                  | 239.0          | 687.0                     | 299.8                  | 199.4                                  | 24.0                  | 241.1                   | 3.8                     | 84.4                           | -                    | 55.1 |                            |
| 2021        | 1,950.5                  | 233.4          | 631.2                     | 394.6                  | 185.2                                  | 20.8                  | 221.6                   | 3.1                     | 78.3                           | -                    | 52.6 |                            |

| Fiscal Year | Governmental Activities |                      |                               |  | Business-Type Activities |                       |                                |  | Ratios                   |                                   |            |
|-------------|-------------------------|----------------------|-------------------------------|--|--------------------------|-----------------------|--------------------------------|--|--------------------------|-----------------------------------|------------|
|             | Museum of Arts          | PAID Rebuild Project | Total Governmental Activities |  | Water Revenue Bonds      | Airport Revenue Bonds | Total Business-Type Activities |  | Total Primary Government | Percentage of Personal Income (1) | Per Capita |
| 2012        | -                       | -                    | 4,183.7                       |  | 1,819.9                  | 1,383.1               | 3,203.0                        |  | 7,386.7                  | 11.79%                            | 4,801      |
| 2013        | -                       | -                    | 4,308.7                       |  | 1,830.4                  | 1,355.4               | 3,185.8                        |  | 7,494.5                  | 11.68%                            | 4,843      |
| 2014        | -                       | -                    | 4,294.0                       |  | 1,935.3                  | 1,291.7               | 3,227.0                        |  | 7,521.0                  | 11.49%                            | 4,842      |
| 2015        | -                       | -                    | 4,079.3                       |  | 2,110.8                  | 1,225.3               | 3,336.1                        |  | 7,415.4                  | 11.15%                            | 4,753      |
| 2016        | -                       | -                    | 4,041.9                       |  | 1,967.1                  | 1,160.9               | 3,128.0                        |  | 7,169.9                  | 9.20%                             | 4,574      |
| 2017        | -                       | -                    | 3,799.2                       |  | 2,152.5                  | 1,218.5               | 3,371.0                        |  | 7,170.2                  | 8.86%                             | 4,573      |
| 2018        | 11.5                    | -                    | 4,117.7                       |  | 1,993.2                  | 1,625.4               | 3,618.6                        |  | 7,736.3                  | 8.78%                             | 4,894      |
| 2019        | 11.0                    | 87.2                 | 3,969.1                       |  | 2,175.8                  | 1,651.1               | 3,826.9                        |  | 7,796.0                  | 8.83%                             | 4,921      |
| 2020        | 10.6                    | 83.5                 | 4,019.5                       |  | 2,360.3                  | 1,573.9               | 3,934.2                        |  | 7,953.7                  | 8.77%                             | 5,021      |
| 2021        | 10.1                    | 79.8                 | 3,861.2                       |  | 2,500.9                  | 1,595.5               | 4,096.4                        |  | 7,957.6                  | 8.55%                             | 5,041      |

(1) See Table 17 for Personal Income and Population Amounts

City of Philadelphia

Ratios of General Bonded Debt Outstanding  
For the Fiscal Years 2012 through 2021

Table 13

Amounts in millions of USD (except per capita)

| Fiscal Year | General<br>Obligation<br>Bonds | Assessed<br>Taxable Value<br>of Property <sup>1</sup> | Assessed<br>Ratio <sup>2</sup> | Actual<br>Taxable Value<br>of Property | % of<br>Actual<br>Taxable Value<br>of Property | Per<br>Capita <sup>3</sup> |
|-------------|--------------------------------|---|--------------------------------|--|--|----------------------------|
| 2012        | 2,041.1                        | 12,337.0  | 28.87%                         | 42,732.9                               | 4.78%  | 1,318.87                   |
| 2013        | 1,968.7                        | 12,416.0  | 28.68%                         | 43,291.5                               | 4.55%  | 1,267.54                   |
| 2014        | 2,139.7                        | 94,513.0  | 224.40%                        | 42,118.1                               | 5.08%  | 1,371.34                   |
| 2015        | 1,996.0                        | 92,707.0  | 213.95%                        | 43,331.2                               | 4.61%  | 1,273.41                   |
| 2016        | 2,073.6                        | 91,536.5  | 167.26%                        | 54,727.1                               | 3.79%  | 1,322.56                   |
| 2017        | 1,953.1                        | 91,741.2  | 167.14%                        | 54,888.8                               | 3.56%  | 1,235.46                   |
| 2018        | 2078.4                         | 104,988.9   | 167.14%                        | 62,814.9                               | 3.31%  | 1,312.01                   |
| 2019        | 1927.2                         | 115,555.5   | 132.88%                        | 86,962.3                               | 2.22%  | 1,216.62                   |
| 2020        | 2091.8                         | 115,575.8   | 125.08%                        | 92,401.5                               | 2.26%  | 1,325.19                   |
| 2021        | 1950.5                         | 116,153.8   | NA                             | NA                                     | NA   | NA                         |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

<sup>1</sup> Source: Office of Property Assessment

<sup>2</sup> The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

<sup>3</sup> See Table 17 for Population Amounts

**City of Philadelphia**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2021**

**Table 14**

*Amounts in millions of USD*

|                                      | Debt<br>Outstanding | Estimated<br>Percentage<br>Applicable | Estimated<br>Share of<br>Direct and<br>Overlapping<br>Debt |
|--------------------------------------|---------------------|---------------------------------------|--|
| <b><u>Governmental Unit</u></b>      |                     |                                       |  |
| School District of Philadelphia      | <u>3,337.4</u>      | <u>100.00%</u>                        | <u>3,337.4</u>   |
| <sup>1</sup> <b>City Direct Debt</b> |                     |                                       | <u>3,861.2</u>   |
| Total Direct and Overlapping Debt    |                     |                                       | <u><u>7,198.6</u></u>                                      |

**Note:**

Overlapping governments are those that coincide, in least in part, with the geographic boundaries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundaries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

<sup>1</sup> Refer to Table 12

**Table 15**  
*Amounts in Millions of USD*

<sup>1</sup> Refer to Purdon's Statutes 53 P.S. Section 15721  
<sup>2</sup> The legal limit is based on the Pennsylvania Constitution article IX Section 12.  
<sup>3</sup> Tax Years 2012-2013 assessed values were provided by OPA via The Department of Revenue..  
<sup>4</sup> 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.  
<sup>5</sup> Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the preceding 10 year average; prior to this change, the Tax Year assessed values was used.



**City of Philadelphia**  
**Pledged Revenue Coverage**  
**For the Fiscal Years 2012 through 2021**

**Table 16**

*Amounts in millions of USD*

| No.   |   | 2012  | 2013  | 2014  | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   |
|---|---|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| <b><u>Water and Sewer Revenue Bonds</u></b> |   |       |       |       |        |        |        |        |        |        |        |
| 1   | Total Revenue and Beginning Fund Balance        | 613.3 | 638.4 | 680.4 | -      | -      | -      | -      | -      | -      | -      |
| 1a  | Total Revenue                                   | -     | -     | -     | 676.8  | 678.9  | 720.6  | 750.1  | 741.6  | 746.7  | 730.5  |
| 2   | Net Operating Expenses                          | 375.1 | 399.3 | 410.8 | 422.3  | 433.0  | 480.3  | 506.2  | 522.4  | 543.7  | 545.1  |
| 2a  | Commitments Cancelled (formally Beg. Fund Bal.) | -     | -     | -     | (19.4) | (24.1) | (24.6) | (32.4) | (30.4) | (26.9) | (23.9) |
| 3   | Transfer To (From) Rate Stabilization Fund      | 8.5   | (4.7) | 22.9  | 21.4   | (1.6)  | (4.6)  | (24.6) | (4.3)  | (33.1) | (27.0) |
| 4   | Net Revenues                                    | 229.7 | 243.8 | 246.7 | 252.5  | 271.6  | 269.5  | 300.9  | 253.9  | 263.0  | 236.3  |
| Debt Service:                               |   |       |       |       |        |        |        |        |        |        |        |
| 5   | Revenue Bonds Outstanding                       | 191.4 | 201.0 | 201.7 | 205.3  | 219.3  | 206.1  | 218.4  | 190.9  | 206.2  | 186.2  |
| 6   | Transfer to Escrow Account to Redeem Bonds      | -     | -     | -     | -      | -      | 11.0   | 19.0   | -      | -      | -      |
| 6a  | Other Adjustments                               | -     | -     | -     | -      | (0.3)  | (1.2)  | (0.2)  | -      | 0.2    | 0.1    |
| 7   | Pennvest Loan                                   | 1.0   | -     | -     | -      | -      | -      | -      | -      | -      | -      |
| 8   | Total Debt Service                              | 192.4 | 201.0 | 201.7 | 205.3  | 219.0  | 215.9  | 237.2  | 190.9  | 206.4  | 186.3  |
| 9   | Net Revenue after Debt Service                  | 37.3  | 42.8  | 45.0  | 47.2   | 52.6   | 53.6   | 63.7   | 63.0   | 56.6   | 50.0   |
| 10  | Transfer to General Fund                        | 1.1   | 0.6   | -     | -      | -      | -      | -      | -      | -      | -      |
| 11  | Transfer to Capital Fund                        | 18.9  | 19.4  | 20.2  | 20.7   | 21.5   | 22.3   | 34.8   | 24.9   | 26.6   | 27.8   |
| 12  | Transfer to Residual Fund                       | 17.3  | 22.8  | 24.8  | 26.5   | 31.1   | 31.3   | 28.9   | 38.1   | 30.0   | 22.2   |
| 13  | Ending Fund Balance                             | -     | -     | -     | -      | -      | -      | -      | -      | -      | -      |
| Debt Service Coverage:                      |   |       |       |       |        |        |        |        |        |        |        |
|   | Coverage A (Line 4/Line 5)                      | 1.20  | 1.21  | 1.22  | 1.23   | 1.24   | 1.31   | 1.38   | 1.33   | 1.28   | 1.27   |
|   | Coverage B (Line 4/(Line 5 + Line 11))          | 1.09  | 1.11  | 1.11  | 1.12   | 1.13   | 1.18   | 1.19   | 1.18   | 1.13   | 1.10   |
| <b><u>Airport Revenue Bonds</u></b>         |   |       |       |       |        |        |        |        |        |        |        |
| 1   | Fund Balance                                    | 65.9  | 69.3  | 66.5  | 66.3   | 71.2   | 87.9   | 107.8  | 126.8  | 144.2  | 160.9  |
| 2   | Project Revenues                                | 269.6 | 291.8 | 316.9 | 322.8  | 341.2  | 362.0  | 381.7  | 393.4  | 390.2  | 331.8  |
| 3   | Passenger Facility Charges                      | 31.6  | 31.2  | 31.2  | 31.2   | 31.2   | 33.7   | 31.2   | 31.2   | 31.2   | 49.6   |
| 4   | Total Fund Balance and Revenue                  | 367.1 | 392.3 | 414.6 | 420.3  | 443.6  | 483.6  | 520.7  | 551.4  | 565.6  | 542.3  |
| 5   | Net Operating Expenses                          | 99.0  | 110.7 | 117.3 | 126.0  | 132.1  | 136.5  | 151.0  | 161.2  | 151.7  | 130.1  |
| 6   | Interdepartmental Charges                       | 92.7  | 101.9 | 103.9 | 108.7  | 106.8  | 116.7  | 116.7  | 121.1  | 123.0  | 109.8  |
| 7   | Total Expenses                                  | 191.7 | 212.6 | 221.2 | 234.7  | 238.9  | 253.2  | 267.7  | 282.3  | 274.7  | 239.9  |
| Available for Debt Service:                 |   |       |       |       |        |        |        |        |        |        |        |
| 8   | Revenue Bonds (Line 4-Line 5)                   | 268.1 | 281.6 | 297.3 | 294.3  | 311.5  | 347.1  | 369.7  | 390.2  | 413.9  | 412.2  |
| 9   | All Bonds (Line 4-Line 7)                       | 175.4 | 179.7 | 193.4 | 185.6  | 204.7  | 230.4  | 253.0  | 269.1  | 290.9  | 302.4  |
| Debt Service:                               |   |       |       |       |        |        |        |        |        |        |        |
| 10  | Revenue Bonds                                   | 103.0 | 109.8 | 125.4 | 125.2  | 120.6  | 122.6  | 127.8  | 126.0  | 127.9  | 124.3  |
| 11  | General Obligation Bonds                        | -     | -     | -     | -      | -      | -      | -      | -      | -      | -      |
| 12  | Total Debt Service                              | 103.0 | 109.8 | 125.4 | 125.2  | 120.6  | 122.6  | 127.8  | 126.0  | 127.9  | 124.3  |
| Debt Service Coverage:                      |   |       |       |       |        |        |        |        |        |        |        |
|   | Revenue Bonds Only - Test "A" (Line 8/Line 10)  | 2.60  | 2.56  | 2.37  | 2.35   | 2.58   | 2.83   | 2.89   | 3.10   | 3.24   | 3.32   |
|   | Total Debt Service - Test "B" (Line 9/Line 12)  | 1.70  | 1.64  | 1.54  | 1.48   | 1.69   | 1.88   | 1.98   | 2.14   | 2.27   | 2.43   |

**Note:**

The rate covenant of the Aviation issues permit inclusion of Fund Balance at the beginning of the period with project revenues for the period to determine adequacy of coverage.

Coverage "A" requires that Net Revenues equal at least 120% of the Debt Service Requirements while Coverage "B" requires that Net Revenues equal at least 100% of the Debt Service Requirements plus Required Capital Account Transfers. Test "A" requires that Project Resources be equal to Net Operating Expenses plus 150% of Revenue Bond Debt Service for the year. Test "B" requires Project Resources be equal to Operating Expenses for the year plus all debt service requirements for the year except any General Obligation Debt Service not applicable to the project.

Amounts in the above statement have been extracted from reports submitted to the respective Fiscal Agents in accordance with the reporting requirements of the General Ordinance and Supplemental Ordinance relative to rate covenants. Water and Sewer Coverage is calculated on the modified accrual basis; Aviation Fund on the accrual basis.

Prior to FY 2015, Commitments Cancelled were included as part of Total Revenue and Beginning Fund Balance. Commitments Cancelled represent the liquidation of encumbrances.

An encumbrance is an expense that is anticipated to be charged to the Water Fund. Beginning in FY 2015 these amounts were reclassified as contra-expenses and reported under Net Operating Expenses.

Prior to FY 2017, Water and Sewer Revenue Bonds Debt Service Coverage B was calculated as (Line4/(Line 8 + Line 11)).

**City of Philadelphia**  
**Demographic and Economic Statistics**  
**For the Calendar Years 2011 through 2020**

**Table 17**

| Calendar<br>Year | Population <sup>1</sup> | Personal<br>Income <sup>2</sup><br>(thousands of USD) | Per<br>Capita<br>Personal<br>Income<br>(USD) | Unemployment<br>Rate <sup>3</sup> |
|------------------|-------------------------|---|--|-----------------------------------|
| 2011             | 1,538,567               | 62,632,520  | 40,708                                       | 10.8%                             |
| 2012             | 1,547,607               | 64,151,742  | 41,452                                       | 10.5%                             |
| 2013             | 1,553,165               | 65,473,002  | 42,155                                       | 10.0%                             |
| 2014             | 1,560,297               | 66,495,223  | 42,617                                       | 8.0%                              |
| 2015             | 1,567,442               | 77,903,831  | 49,701                                       | 6.9%                              |
| 2016             | 1,567,872               | 80,973,410  | 51,645                                       | 6.8%                              |
| 2017             | 1,580,863               | 88,081,991  | 55,718                                       | 6.2%                              |
| 2018             | 1,584,138               | 88,311,658  | 55,747                                       | 5.5%                              |
| 2019             | 1,584,064               | 90,711,866  | 57,265                                       | 5.5%                              |
| 2020             | 1,578,487               | 93,038,320  | 58,941                                       | 12.4%                             |

<sup>1</sup> US Census Bureau

<sup>2</sup> US Department of Commerce, Bureau of Economic Analysis

<sup>3</sup> US Department of Labor, Bureau of Labor Statistics

**City of Philadelphia**  
**Principal Employers**  
**Current Calendar Year and Nine Years Ago**

**Table 18**

*Listed Alphabetically*

| 2020  | 2011  |
|---|---|
| Children's Hospital of Philadelphia                 | Albert Einstein Medical                             |
| City of Philadelphia                                | Children's Hospital of Philadelphia                 |
| Comcast Corporation                                 | City of Philadelphia                                |
| Hospital of the University of Pennsylvania          | Comcast Corporation                                 |
| School District of Philadelphia                     | Hospital of the University of Pennsylvania          |
| SEPTA (Southeastern Pennsylvania Transit Authority) | School District of Philadelphia                     |
| Temple University                                   | SEPTA (Southeastern Pennsylvania Transit Authority) |
| Temple University Hospital                          | Temple University                                   |
| Thomas Jefferson University Hospitals               | Thomas Jefferson University Hospitals               |
| University Of Pennsylvania                          | University Of Pennsylvania                          |

**City of Philadelphia**  
**Full Time Employees by Function**  
**For the Fiscal Years 2012 through 2021**

|                                      | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Governmental Activities:</b>      |             |             |             |             |             |             |             |             |             |             |
| Economic Development                 | 28          | 31          | 29          | 33          | 43          | 39          | 47          | 69          | 63          | 40          |
| Transportation:                      |             |             |             |             |             |             |             |             |             |             |
| Streets & Highways                   | 524         | 517         | 525         | 506         | 512         | 538         | 609         | 655         | 669         | 627         |
| Mass Transit                         | 13          | 15          | 15          | 12          | 12          | 1           | 1           | 1           | 2           | 1           |
| Judiciary and Law Enforcement:       |             |             |             |             |             |             |             |             |             |             |
| Police                               | 7,292       | 7,270       | 7,177       | 7,267       | 7,750       | 7,213       | 7,276       | 7,336       | 7,201       | 6,847       |
| Prisons                              | 2,150       | 2,245       | 2,257       | 2,286       | 2,280       | 2,257       | 2,208       | 2,084       | 1,882       | 1,556       |
| Courts                               | 3,249       | 3,260       | 3,234       | 3,255       | 3,276       | 3,367       | 3,317       | 3,364       | 3,428       | 3,301       |
| Conservation of Health:              |             |             |             |             |             |             |             |             |             |             |
| Emergency Medical Services           | 338         | 375         | 494         | 576         | 534         | 592         | 416         | 467         | 533         | 419         |
| Health Services                      | 1,143       | 1,117       | 1,097       | 1,084       | 1,062       | 1,105       | 1,132       | 1,161       | 1,206       | 1,169       |
| Housing and Neighborhood Development | 83          | 75          | 72          | 74          | 66          | 67          | 73          | 71          | 76          | 75          |
| Cultural and Recreational:           |             |             |             |             |             |             |             |             |             |             |
| Parks and Recreation                 | 605         | 596         | 587         | 628         | 636         | 630         | 670         | 682         | 678         | 667         |
| Libraries and Museums                | 658         | 651         | 637         | 674         | 666         | 677         | 659         | 670         | 688         | 648         |
| Improvements to General Welfare:     |             |             |             |             |             |             |             |             |             |             |
| Social Services                      | 1,924       | 1,832       | 1,809       | 1,801       | 1,779       | 1,837       | 1,860       | 1,804       | 1,827       | 1,765       |
| Inspections and Demolitions          | 230         | 286         | 288         | 319         | 323         | 336         | 378         | 421         | 394         | 371         |
| Service to Property:                 |             |             |             |             |             |             |             |             |             |             |
| Sanitation                           | 1,154       | 1,152       | 1,158       | 1,155       | 1,159       | 1,153       | 1,094       | 1,179       | 1,144       | 1,163       |
| Fire                                 | 1,700       | 1,705       | 1,643       | 1,719       | 1,871       | 1,896       | 2,036       | 2,187       | 2,227       | 2,259       |
| General Management and Support       | 2,454       | 2,384       | 2,456       | 2,497       | 2,601       | 2,749       | 2,744       | 3,164       | 2,911       | 2,749       |
| Total Governmental Activities        | 23,545      | 23,511      | 23,478      | 23,886      | 24,570      | 24,457      | 24,520      | 25,315      | 24,929      | 23,657      |
| <b>Business Type Activities:</b>     |             |             |             |             |             |             |             |             |             |             |
| Water and Sewer                      | 2,228       | 2,218       | 2,302       | 2,347       | 2,358       | 2,481       | 2,519       | 2,217       | 2,498       | 2,428       |
| Aviation                             | 1,021       | 1,057       | 1,040       | 1,021       | 1,032       | 1,035       | 1,056       | 1,071       | 1,048       | 977         |
| Total Business-Type Activities       | 3,249       | 3,275       | 3,342       | 3,368       | 3,390       | 3,516       | 3,575       | 3,288       | 3,546       | 3,405       |
| <b>Fiduciary Activities:</b>         |             |             |             |             |             |             |             |             |             |             |
| Pension Trust                        | 61          | 53          | 50          | 55          | 56          | 56          | 60          | 56          | 54          | 55          |
| Total Primary Government             | 26,855      | 26,839      | 26,870      | 27,309      | 28,016      | 28,029      | 28,155      | 28,659      | 28,529      | 27,117      |

**City of Philadelphia**  
**Operating Indicators by Function**  
**For the Fiscal Years 2012 through 2021**

|  | 2012       | 2013       | 2014       | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       | 2021       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Governmental Activities:</b>  |            |            |            |            |            |            |            |            |            |            |
| <b>Transportation:</b>   |            |            |            |            |            |            |            |            |            |            |
| <b>Streets &amp; Highways</b>  |            |            |            |            |            |            |            |            |            |            |
| Street Resurfacing (miles)   | 37         | 51         | 34         | 40         | 43         | 56         | 77         | 95         | 65         | 42         |
| Potholes Repaired  | 14,451     | 12,093     | 45,077     | 48,274     | 35,541     | 31,589     | 57,002     | 59,514     | 37,971     | 22,815     |
| <b>Judiciary and Law Enforcement:</b>  |            |            |            |            |            |            |            |            |            |            |
| <b>Police</b>  |            |            |            |            |            |            |            |            |            |            |
| Arrests  | 70,971     | 71,109     | 71,650     | 71,661     | 55,693     | 46,268     | 45,531     | 42,444     | 40,702     | 30,697     |
| Calls to 911   | 3,118,648  | 2,979,990  | 2,879,620  | 2,978,527  | 3,703,809  | 2,760,452  | 2,432,404  | 2,616,735  | 2,390,540  | 2,335,370  |
| <b>Prisons</b>   |            |            |            |            |            |            |            |            |            |            |
| Average Inmate Population  | 8,240      | 8,987      | 8,759      | 8,254      | 7,685      | 6,925      | 6,158      | 4,815      | 4,190      | 4,709      |
| Inmate Beds (city owned)   | 8,417      | 8,417      | 8,417      | 8,417      | 8,428      | 6,991      | 6,085      | 5,019      | 4,047      | 4,903      |
| <b>Conservation of Health:</b>   |            |            |            |            |            |            |            |            |            |            |
| <b>Emergency Medical Services</b>  |            |            |            |            |            |            |            |            |            |            |
| Medic Unit Runs  | 273,557    | 280,877    | 239,403    | 243,127    | 263,754    | 267,266    | 271,450    | 274,659    | 266,090    | 271,494    |
| First Responder Runs   | 60,972     | 57,047     | 60,296     | 49,529     | 48,965     | 47,456     | 48,797     | 49,526     | 47,864     | 49,321     |
| <b>Health</b>  |            |            |            |            |            |            |            |            |            |            |
| Patient Visits   | 348,472    | 341,305    | 309,911    | 290,000    | 72,479     | 336,445    | 335,937    | 350,948    | 324,388    | 300,073    |
| <b>Cultural and Recreational:</b>  |            |            |            |            |            |            |            |            |            |            |
| <b>Parks</b>   |            |            |            |            |            |            |            |            |            |            |
| Athletic Field Permits Issued  | 1,978      | 2,442      | 873        | 1,634      | 2,501      | 2,579      | 2,120      | 1,351      | 1,892      | 571        |
| <b>Libraries</b>   |            |            |            |            |            |            |            |            |            |            |
| Items borrowed   | 7,503,031  | 6,579,054  | 6,502,087  | 6,511,582  | 5,926,481  | 5,419,516  | 5,293,138  | 6,482,481  | 5,207,069  | 4,002,577  |
| Visitors to all libraries  | 6,020,321  | 6,116,762  | 5,563,015  | 5,891,382  | 5,839,145  | 5,128,715  | 4,973,288  | 4,915,649  | 3,841,395  | 176,619    |
| Visitors to library website  | 6,886,339  | 7,301,311  | 8,194,626  | 9,907,573  | 7,971,946  | 5,029,713  | 6,361,655  | 6,699,581  | 6,099,144  | 4,071,281  |
| <b>Improvements to General Welfare:</b>  |            |            |            |            |            |            |            |            |            |            |
| <b>Social Services</b>   |            |            |            |            |            |            |            |            |            |            |
| Children Receiving Services  | 28,939     | 27,391     | 17,761     | 18,982     | 19,697     | 18,955     | 18,798     | 17,002     | 13,369     | 11,533     |
| Children in Placement  | 7,839      | 8,509      | 8,548      | 7,809      | 8,463      | 8,782      | 8,731      | 8,230      | 7,125      | 6,355      |
| Emergency Shelter Beds (average)   | 2,987      | 2,116      | 2,544      | 2,708      | 2,196      | 2,143      | 2,170      | 3,725      | 3,855      | 2,526      |
| Transitional Housing Units (new placements)  | 558        | 539        | 509        | 509        | 517        | 415        | 284        | 728        | 374        | 419        |
| <b>Service to Property:</b>  |            |            |            |            |            |            |            |            |            |            |
| <b>Sanitation</b>  |            |            |            |            |            |            |            |            |            |            |
| Refuse Collected (tons per day)  | 2,299      | 2,179      | 2,132      | 2,139      | 2,270      | 2,311      | 2,310      | 2,475      | 2,351      | 2,841      |
| Recyclables Collected (tons per day)   | 461        | 470        | 490        | 442        | 425        | 444        | 404        | 355        | 327        | 207        |
| <b>Fire</b>  |            |            |            |            |            |            |            |            |            |            |
| Fires Handled  | 7,319      | 6,365      | 6,120      | 6,364      | 6,143      | 5,901      | 6,614      | 7,810      | 7,350      | 3,413      |
| Fire Marshall Investigations   | 2,387      | 2,135      | 1,943      | 2,183      | 1,715      | 2,242      | 2,099      | 1,969      | 1,889      | 1,954      |
| <b>Business Type Activities:</b>   |            |            |            |            |            |            |            |            |            |            |
| <b><sup>2</sup> Water and Sewer</b>  |            |            |            |            |            |            |            |            |            |            |
| Millions of gallons of treated water   | 87,341     | 89,616     | 90,213     | 86,416     | 84,573     | 82,846     | 81,485     | 80,943     | 78,239     | 84,424     |
| Percent of time Philadelphia's drinking water met or surpassed state & federal standards | 100.00%    | 100.00%    | 100.00%    | 100.00%    | 100.00%    | 100.00%    | 100.00%    | 100.00%    | 100.00%    | 100.00%    |
| Miles of pipeline surveyed for leakage   | 1,137      | 962        | 775        | 637        | 682        | 1,022      | 742        | 747        | 796        | 560        |
| Water main breaks repaired   | 563        | 755        | 918        | 907        | 703        | 655        | 977        | 754        | 596        | 759        |
| Average time to repair a water main break upon crew arrival at site (hours)              | 7.7        | 5.8        | 6.2        | 5.7        | 6.8        | 6.7        | 6.5        | 6.7        | 6.2        | 6.7        |
| Percent of hydrants available  | 99.70%     | 99.68%     | 99.68%     | 99.61%     | 99.60%     | 99.60%     | 99.57%     | 99.43%     | 99.15%     | 98.91%     |
| Number of storm drains cleaned   | 84,395     | 100,251    | 94,653     | 103,056    | 98,105     | 107,784    | 103,535    | 103,053    | 84,640     | 97,849     |
| <b><sup>1</sup> Aviation</b>   |            |            |            |            |            |            |            |            |            |            |
| Passengers Handled (PIA)   | 30,612,150 | 30,358,905 | 30,539,430 | 30,601,985 | 31,336,138 | 29,641,556 | 30,553,378 | 32,244,112 | 23,782,297 | 13,039,500 |
| Air Cargo Tons (PIA)   | 416,731    | 388,383    | 395,661    | 402,194    | 414,891    | 424,009    | 487,086    | 554,606    | 573,499    | 582,468.6  |
| Aircraft Movements (PIA and NPA)   | 517,842    | 506,261    | 493,272    | 487,096    | 456,269    | 434,707    | 427,214    | 455,352    | 385,403    | 287,679    |

<sup>1</sup> PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

<sup>2</sup> In prior year Annual Comprehensive Financial Report (ACFR), Philadelphia Water Department (PWD) reported the following metrics: new connections, the number of water main breaks, average and peak daily treated water delivered, average daily water sewage treatment

**City of Philadelphia**  
**Capital Assets Statistics by Function**  
**For the Fiscal Years 2012 through 2021**

|  | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Governmental Activities:</b>                          |             |             |             |             |             |             |             |             |             |             |
| <b>Transportation:</b>                                   |             |             |             |             |             |             |             |             |             |             |
| <b>Streets &amp; Highways</b>                            |             |             |             |             |             |             |             |             |             |             |
| <sup>1</sup> Total Miles of Streets                      | 2,575       | 2,575       | 2,575       | 2,575       | 2,575       | 2,575       | 2,550       | 2,550       | 2,550       | 2,550       |
| Streetslights  | 104,600     | 105,151     | 105,151     | 105,151     | 105,151     | 104,595     | 106,092     | 106,092     | 124,846     | 126,924     |
| <b>Judiciary and Law Enforcement:</b>                    |             |             |             |             |             |             |             |             |             |             |
| <b>Police</b>  |             |             |             |             |             |             |             |             |             |             |
| Stations and Other Facilities                            | 32          | 37          | 39          | 40          | 50          | 48          | 55          | 55          | 55          | 58          |
| <b>Prisons</b>   |             |             |             |             |             |             |             |             |             |             |
| Major Correctional Facilities                            | 6           | 6           | 6           | 6           | 6           | 6           | 5           | 4           | 3           | 3           |
| <b>Conservation of Health:</b>                           |             |             |             |             |             |             |             |             |             |             |
| <b>Health Services</b>                                   |             |             |             |             |             |             |             |             |             |             |
| Health Care Centers                                      | 9           | 9           | 9           | 9           | 8           | 8           | 8           | 8           | 8           | 8           |
| <b>Cultural and Recreational:</b>                        |             |             |             |             |             |             |             |             |             |             |
| <b>Recreation</b>  |             |             |             |             |             |             |             |             |             |             |
| <sup>5</sup> Recreation Centers                          | 184         | 185         | 184         | 155         | 164         | 313         | 313         | 721         | 717         | 731         |
| <sup>2</sup> Athletic Venues                             | 1,102       | 1,101       | 1,107       | 1,108       | 1,107       | 1,030       | 1,030       | 1,129       | 1,120       | 1,118       |
| <sup>4</sup> Neighborhood Parks and Squares              | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| <b>Parks</b>   |             |             |             |             |             |             |             |             |             |             |
| Parks  | 177         | 177         | 177         | 209         | 209         | 211         | 211         | 405         | 409         | 410         |
| Baseball/Softball Fields                                 | 404         | 404         | 403         | 403         | 404         | 412         | 404         | 414         | 411         | 411         |
| <b>Libraries</b>   |             |             |             |             |             |             |             |             |             |             |
| Branch & Regional Libraries                              | 54          | 54          | 54          | 54          | 54          | 54          | 54          | 54          | 57          | 57          |
| <b>Service to Property:</b>                              |             |             |             |             |             |             |             |             |             |             |
| <b>Fire</b>  |             |             |             |             |             |             |             |             |             |             |
| Stations and Other Facilities                            | 68          | 68          | 68          | 69          | 63          | 69          | 67          | 73          | 73          | 73          |
| <b>Business Type Activities:</b>                         |             |             |             |             |             |             |             |             |             |             |
| <b>Water and Sewer:</b>                                  |             |             |             |             |             |             |             |             |             |             |
| Water System Piping (miles)                              | 3,172       | 3,174       | 3,176       | 3,176       | 3,187       | 3,184       | 3,185       | 3,183       | 3,178       | 3,180       |
| Fire Hydrants  | 25,321      | 25,355      | 25,364      | 25,364      | 25,398      | 25,419      | 25,419      | 25,234      | 25,020      | 25,192      |
| Treated Water Storage Capacity ( x 1000 gallons)         | 1,065,400   | 1,065,400   | 1,065,400   | 1,065,000   | 1,065,000   | 1,065,000   | 950,000     | 950,000     | 1,010,000   | 1,010,000   |
| Sanitary Sewers (miles)                                  | 759         | 762         | 762         | 762         | 763         | 765         | 766         | 767         | 761         | 767         |
| Stormwater Conduits (miles)                              | 734         | 738         | 737         | 737         | 740         | 747         | 744         | 752         | 755         | 756         |
| <sup>3</sup> Sewage Treatment Capacity ( x 1000 gallons) | 1,044,000   | 1,065,400   | 1,044,000   | 1,044,000   | 1,044,000   | 1,044,000   | 1,044,000   | 1,059,000   | 1,059,000   | 1,059,000   |
| <b>Aviation</b>  |             |             |             |             |             |             |             |             |             |             |
| Passenger Gates (PIA)                                    | 126         | 126         | 126         | 126         | 126         | 126         | 126         | 126         | 126         | 126         |
| Terminal Buildings (square footage) (PIA)                | 3,144,000   | 3,144,000   | 3,254,354   | 3,254,354   | 3,254,354   | 3,240,537   | 3,240,537   | 3,240,537   | 3,240,537   | 3,240,537   |
| Runways (length in feet) (PIA & NPA)                     | 43,500      | 43,500      | 43,500      | 43,500      | 43,500      | 43,500      | 43,500      | 43,500      | 43,500      | 43,500      |

<sup>1</sup> Street System-63% city streets, 2% park streets, 15% state highways

<sup>2</sup> Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools

<sup>3</sup> PIA (Philadelphia International Airport)-passenger aircraft and cargo, NPA (Northeast Philadelphia Airport)-private aircraft and cargo.

<sup>4</sup> FPC and Recreation Dept were merged in FY2011, hence the category of Neighborhood Parks and Squares was eliminated.

<sup>5</sup> Includes playgrounds and spraygrounds