

Interest on the 2025B Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). In the opinion of Co-Bond Counsel, interest on the Tax-Exempt Bonds will be excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, subject to the conditions described in “TAX MATTERS” herein. In addition, interest on the Tax-Exempt Bonds will not be treated as an item of tax preference under Section 57 of the Code, for purposes of the federal alternative minimum tax; however, such interest may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the 2025 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2025 Bonds. For a more complete discussion, see “TAX MATTERS” herein.

\$872,570,000

**THE CITY OF PHILADELPHIA, PENNSYLVANIA
GENERAL OBLIGATION BONDS**

\$301,320,000**GENERAL OBLIGATION BONDS,**

**Series 2025A
(Tax-Exempt)**

\$100,460,000**GENERAL OBLIGATION BONDS,**

**Series 2025B
(Federally Taxable)**

**\$470,790,000**

**GENERAL OBLIGATION REFUNDING BONDS,
Series 2025C
(Tax-Exempt)**

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

Defined Terms. All capitalized terms that are not otherwise defined on this cover page have the meanings provided to such terms in this Official Statement.

The 2025 Bonds. The City of Philadelphia, Pennsylvania (the “City”), a corporation, body politic and city of the first class existing under the laws of the Commonwealth of Pennsylvania, is issuing the above-referenced bonds (collectively, the “2025 Bonds”).

Purpose. The 2025A Bonds and the 2025B Bonds are being 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 2025A Bonds and the 2025B Bonds.

The 2025C Bonds are being issued for the purpose of providing funds, together with other available funds of the City, to (i) refund the Refunded Bonds, as more particularly described herein, (ii) purchase the Tender Offer Bonds as described in the Invitation (both as defined herein) and (iii) pay the costs relating to the issuance of the 2025C Bonds.

For more information on the purposes of the issuance of the 2025 Bonds, see “PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS” herein. For more information on the Invitation, see “TENDER OFFER OF CERTAIN BONDS.” See APPENDIX G hereto for details on the Refunded Bonds and the Tender Offer Bonds.

Security. The 2025 Bonds are general obligations of the City, and the full faith, credit and taxing power of the City are pledged for the payment of the principal of and interest on the 2025 Bonds when due. The City has covenanted in the Ordinances that, so long as the 2025 Bonds remain outstanding, it will make payments out of its respective sinking funds or any other of its general revenues or funds at such times and in such annual amounts as shall be sufficient for the payment of interest thereon and the principal thereof when due, whether at maturity or upon redemption. See “Security for the 2025 Bonds” herein.

Redemption. The 2025 Bonds are subject to redemption prior to maturity, as described herein. See “The 2025 Bonds – Redemption Provisions” herein.

Interest Payment Dates. Interest on the 2025 Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2025.

Tax Status. For information on the tax status of the 2025 Bonds, see the italicized language at the top of this cover page and “Tax Matters” herein. The 2025A Bonds and the 2025C Bonds are sometimes referred to herein collectively as the “Tax-Exempt Bonds.”

Delivery Date. It is expected that the 2025 Bonds will be available for delivery to DTC on or about June 18, 2025.

This cover page contains certain information for quick reference only. It is not a summary of the 2025 Bonds or this Official Statement. Investors must read the entire Official Statement, including the Appendices, which are an integral part hereof, to obtain information essential to the making of an informed investment decision regarding the 2025 Bonds.

The 2025 Bonds are offered when, as and if issued by the City and accepted by the Underwriters and subject to the approval of the legality of the issuance of the 2025 Bonds by Cozen O'Connor and Ahmad Zaffarese LLC, Co-Bond Counsel, both of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department, and for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania. Hawkins Delafield & Wood LLP and the Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, Co-Disclosure Counsel to the City, will each deliver an opinion to the City and the Underwriters regarding certain matters.

BofA Securities**Loop Capital Markets**

**Cabrera Capital Markets, LLC
Stern Brothers**

**Stifel
TD Securities**

Dated: June 10, 2025

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

\$301,320,000
The City of Philadelphia, Pennsylvania
General Obligation Bonds,
Series 2025A
(Tax-Exempt)

| Maturity (August 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP⁽¹⁾ 717813 |
|--------------------------------|-----------------------------|--------------------------|--------------|--------------|---------------------------------------|
| 2033 | \$15,020,000 | 5.000% | 3.450% | 110.891 | A33 |
| 2034 | 17,835,000 | 5.000% | 3.620% | 110.633 | A41 |
| 2035 | 18,745,000 | 5.000% | 3.760% | 110.352 | A58 |
| 2036 | 19,710,000 | 5.000% | 3.920%* | 108.945* | A66 |
| 2037 | 20,720,000 | 5.000% | 4.010%* | 108.164* | A74 |
| 2038 | 21,780,000 | 5.000% | 4.130%* | 107.131* | A82 |
| 2039 | 22,900,000 | 5.000% | 4.240%* | 106.196* | A90 |
| 2040 | 24,075,000 | 5.000% | 4.370%* | 105.103* | B24 |
| 2041 | 25,305,000 | 5.000% | 4.480%* | 104.188* | B32 |
| 2042 | 26,605,000 | 5.000% | 4.560%* | 103.529* | B40 |
| 2043 | 28,005,000 | 5.250% | 4.590%* | 105.289* | B57 |
| 2044 | 29,515,000 | 5.250% | 4.660%* | 104.711* | B65 |
| 2045 | 31,105,000 | 5.250% | 4.700%* | 104.383* | B73 |

* Price/yield to first optional call date of August 1, 2035.

¹ CUSIP is a registered trademark of the American Bankers Association (the “ABA”). CUSIP data herein is provided by CUSIP Global Services (“CGS”), which is managed on behalf of the ABA by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP numbers listed above are being provided solely for the convenience of the holders of the 2025 Bonds only at the time of issuance of the 2025 Bonds, and the City and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the 2025 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2025 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the 2025 Bonds.

\$100,460,000
The City of Philadelphia, Pennsylvania
General Obligation Bonds,
Series 2025B
(Federally Taxable)

| Maturity (August 1) | Principal Amount | Interest Rate | Price | CUSIP⁽¹⁾ 717813 |
|--------------------------------|-----------------------------|--------------------------|--------------|---------------------------------------|
| 2026 | \$12,225,000 | 4.460% | 100.000 | D55 |
| 2027 | 12,785,000 | 4.460% | 100.000 | D63 |
| 2028 | 13,370,000 | 4.465% | 100.000 | D71 |
| 2029 | 13,990,000 | 4.580% | 100.000 | D89 |
| 2030 | 14,650,000 | 4.680% | 100.000 | D97 |
| 2031 | 15,365,000 | 4.846% | 100.000 | E21 |
| 2032 | 16,135,000 | 4.946% | 100.000 | E39 |
| 2033 | 1,940,000 | 5.148% | 100.000 | E47 |

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\$470,790,000
The City of Philadelphia, Pennsylvania
General Obligation Refunding Bonds,
Series 2025C
(Tax-Exempt)

| Maturity | Principal Amount | Interest Rate | Yield | Price | CUSIP⁽¹⁾ 717813 |
|-----------------|-----------------------------|--------------------------|--------------|--------------|---------------------------------------|
| Feb. 1, 2026 | \$ 5,610,000 | 5.000% | 2.980% | 101.227 | B81 |
| Aug. 1, 2026 | 25,950,000 | 5.000% | 2.980% | 102.204 | B99 |
| Aug. 1, 2027 | 31,370,000 | 5.000% | 2.940% | 104.199 | C23 |
| Aug. 1, 2028 | 30,735,000 | 5.000% | 3.000% | 105.910 | C31 |
| Aug. 1, 2029 | 66,920,000 | 5.000% | 3.090% | 107.331 | C49 |
| Aug. 1, 2030 | 61,925,000 | 5.000% | 3.140% | 108.729 | C56 |
| Aug. 1, 2031 | 67,970,000 | 5.000% | 3.260% | 109.578 | C64 |
| Aug. 1, 2032 | 50,515,000 | 5.000% | 3.380% | 110.171 | C72 |
| Aug. 1, 2033 | 50,495,000 | 5.000% | 3.450% | 110.891 | C80 |
| Aug. 1, 2034 | 40,075,000 | 5.000% | 3.620% | 110.633 | C98 |
| Aug. 1, 2035 | 22,380,000 | 5.000% | 3.760% | 110.352 | D22 |
| Aug. 1, 2036 | 5,500,000 | 5.000% | 3.920%* | 108.945* | D30 |
| Aug. 1, 2037 | 11,345,000 | 5.000% | 4.010%* | 108.164* | D48 |

* Price/yield to first optional call date of August 1, 2035.

¹ CUSIP is a registered trademark of the American Bankers Association (the “ABA”). CUSIP data herein is provided by CUSIP Global Services (“CGS”), which is managed on behalf of the ABA by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP numbers listed above are being provided solely for the convenience of the holders of the 2025 Bonds only at the time of issuance of the 2025 Bonds, and the City and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the 2025 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2025 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the 2025 Bonds.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR

HONORABLE CHERELLE L. PARKER

MAYOR'S CHIEF OF STAFF

Tiffany W. Thurman

MAYOR'S CABINET

Adam Thiel Managing Director
Rob Dubow Director of Finance
Renee Garcia, Esq City Solicitor
Sinceré Harris Chief Deputy Mayor of Intergovernmental Affairs, Sustainability, and Engagement
Vanessa Garrett Harley, Esq Chief Deputy Mayor for Social Impact and Strategic Initiatives
Karen Fegely Acting Director of Commerce
Carlton Williams Director of Clean and Green Initiatives
Adam Geer Chief Public Safety Director
Alexander F. DeSantis Inspector General
Kevin Bethel Police Commissioner
Dr. Debora Borges-Carrera Chief Education Officer
Valerie Gay Director of Arts and Culture
Atif Saeed Chief Executive Officer, Department of Aviation
Danielle Gardener Wright Chief Integrity Officer
Kristin Bray Chief Legal Counsel

CITY TREASURER

Jacqueline Dunn

CITY CONTROLLER

Christy Brady

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give any information or to make representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. The offering of the 2025 Bonds is made only by means of this entire Official Statement.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2025 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2025 Bonds described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement among the City, the Underwriters and the purchasers or owners of any offered 2025 Bonds. This Official Statement is being provided to prospective purchasers either in bound printed form ("Original Bound Format") or in electronic format on the following websites: <https://www.munios.com> and <https://emma.msrb.org>. This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed in full directly from such websites.

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

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

Estimates and Forecasts. The statements contained in this Official Statement and the Appendices hereto that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date of this Official Statement, and the City does not assume any obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability to fulfill some or all of the obligations under the 2025 Bonds.

No Recommendation or Registration. The 2025 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

The 2025 Bonds have not been registered with the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such act.

Informational Purposes Only; No Incorporation by Reference Unless Expressly Stated Otherwise.

References to website addresses presented herein, including the City’s Investor Website (as defined herein) or any other website containing information about the City, are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose, including for purposes of Rule 15c2-12 promulgated by the SEC.

Summary of the Offering

This summary is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the 2025 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page, the inside cover pages, and the Appendices.

Issuer: The City of Philadelphia, Pennsylvania (the “City”), a corporation, body politic and city of the first class existing under the laws of the Commonwealth of Pennsylvania.

Bonds Offered: \$301,320,000 aggregate principal amount of its General Obligation Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”)

\$100,460,000 aggregate principal amount of its General Obligation Bonds, Series 2025B (Federally Taxable) (the “2025B Bonds”)

\$470,790,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2025C (Tax-Exempt) (the “2025C Bonds,” and together with the 2025A Bonds and the 2025B Bonds, the “2025 Bonds”).

Interest Payment Dates: Interest on the 2025 Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2025.

Security and Sources of Payment: The 2025 Bonds are general obligations of the City, and the full faith, credit and taxing power of the City are pledged for the payment of the principal of and interest on the 2025 Bonds when due. The City has covenanted in the Ordinances that, so long as the 2025 Bonds remain outstanding, it will make payments out of its respective sinking funds or any other of its general revenues or funds at such times and in such annual amounts as shall be sufficient for the payment of interest thereon and the principal thereof when due, whether at maturity or upon redemption. See “SECURITY FOR THE 2025 BONDS” herein.

Use of Proceeds: The 2025A Bonds and the 2025B Bonds are being 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 2025A Bonds and the 2025B Bonds.

The 2025C Bonds are being issued for the purpose of providing funds, together with other available funds of the City, to (i) refund the Refunded Bonds, as more particularly described herein, (ii) purchase the Tender Offer Bonds as described in the Invitation (both as defined herein), and (iii) pay the costs relating to the issuance of the 2025C Bonds.

For more information on the purposes of the issuance of the 2025 Bonds, see “PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS” herein. For more information on the Invitation, see “TENDER OFFER OF CERTAIN BONDS.” See APPENDIX G hereto for details on the Refunded Bonds and the Tender Offer Bonds.

Redemption: The 2025 Bonds are subject to redemption prior to maturity, as described herein. See “THE 2025 BONDS – Redemption Provisions” herein.

Authorized Denominations: The 2025 Bonds will be issued as registered bonds in denominations of \$5,000 or any integral multiple thereof.

Form and Depository: The 2025 Bonds will be delivered solely in registered form under a global book-entry system through the facilities of DTC. See APPENDIX F.

Tax Status: For information on the tax status of the 2025 Bonds, see the italicized language at the top of the cover page of this Official Statement and “TAX MATTERS” herein. The 2025A Bonds and the 2025C Bonds are sometimes referred to herein collectively as the “Tax-Exempt Bonds.”

Ratings:

Fitch: “A+” (stable outlook)
Moody’s: “A1” (stable outlook)
S&P: “A+” (stable outlook)

See “RATINGS” herein.

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OFFICIAL STATEMENT

relating to

\$872,570,000

**The City of Philadelphia, Pennsylvania
General Obligation Bonds**

\$301,320,000

**General Obligation Bonds,
Series 2025A
(Tax-Exempt)**

\$100,460,000

**General Obligation Bonds,
Series 2025B
(Federally Taxable)**

\$470,790,000

**General Obligation Refunding Bonds,
Series 2025C
(Tax-Exempt)**

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and Appendices hereto, provides information with respect to the issuance by The City of Philadelphia, Pennsylvania (the “City”) of (i) \$301,320,000 aggregate principal amount of its General Obligation Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”), (ii) \$100,460,000 aggregate principal amount of its General Obligation Bonds, Series 2025B (Federally Taxable) (the “2025B Bonds”), and (iii) \$470,790,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2025C (Tax-Exempt) (the “2025C Bonds,” and together with the 2025A Bonds and the 2025B Bonds, the “2025 Bonds”). This introduction is a brief description of certain matters set forth in this Official Statement and is qualified by reference to the entire Official Statement, including the Appendices hereto. Reference should be made to the material under the caption “THE 2025 BONDS” for a description of the 2025 Bonds and to APPENDIX F for a description of the book-entry system applicable thereto.

Certain factors that may affect an investment decision concerning the 2025 Bonds are described throughout this Official Statement. Persons considering a purchase of the 2025 Bonds should read this Official Statement, including the cover page, the inside cover page and the Appendices, which are an integral part hereof, in its entirety. All estimates and assumptions of financial and other information are based on information currently available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting forward-looking statements may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from the adopted budgets of the City, as well as from the City’s five-year financial plans. See “DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information” in APPENDIX A hereto. Accordingly, no assurance is given that any projected future results will be achieved.

Authorization

Under Article 9, Section 12 of the Constitution of the Commonwealth of Pennsylvania (the “Commonwealth”) and the Acts of the General Assembly of the Commonwealth of June 25, 1919, P.L. 581, as amended, and June 11, 1941, P.L. 113, amended December 8, 1985, P.L. 324 (together, the “Act”), the City is authorized to issue bonds to secure indebtedness of the City and to refund the same.

Pursuant to the Act, the Council of the City (“City Council”) adopted (i)(A) the Ordinance (Bill No. 200298), approved by the Mayor on June 26, 2020, and consented to by vote of the electors at an election held on November 3, 2020 (the “2020 Capital Project Ordinance”), (B) the Ordinance (Bill No. 220742), approved by the Mayor on December 14, 2022, which authorized non-electoral debt of the City (the “2022 Capital Project Ordinance”), (C) the Ordinance (Bill No. 240376), approved by the Mayor on June 14, 2024, which authorized non-electoral debt of the City (the “June 2024 Capital Project Ordinance”), and (D) the Ordinance (Bill No. 240416-A), approved by the Mayor on September 18, 2024, which authorized non-electoral debt of the City (the “September 2024 Capital Project Ordinance,” and together with the 2020 Capital Project Ordinance, the 2022 Capital Project Ordinance, and the June 2024 Capital Project Ordinance, the “Capital Project Ordinances”), and (ii) the Ordinance (Bill No. 190935), approved by the Mayor on December 18, 2019, as amended by the Ordinance (Bill No. 230250), approved by the Mayor on June 21, 2023 (as amended, the “Refunding Ordinance”). The Capital Project Ordinances and the Refunding Ordinance are collectively referred to as the “Ordinances,” and authorize the funding of a portion of certain capital projects in the City’s capital budgets and refunding all or a portion of certain series of the City’s outstanding general obligation bonds, respectively. The City’s refunding plan includes the financing of the City’s purchase and cancellation of those Tender Offer Bonds validly tendered and accepted for purchase.

The 2020 Capital Project Ordinance authorizes the Mayor, the City Controller, and the City Solicitor (the “Bond Committee”), or a majority of them, to issue and sell on behalf of the City, up to \$134,000,000 aggregate principal amount of general obligation bonds of the City in one or more series, including the 2025A Bonds and the 2025B Bonds, to pay the costs of certain projects in the City’s capital budgets authorized thereunder. Following the issuance of the 2025A Bonds and 2025B Bonds, no authorization remains under the 2020 Capital Project Ordinance.

The 2022 Capital Project Ordinance authorizes the Bond Committee, or a majority of them, to issue and sell on behalf of the City, up to \$215,000,000 aggregate principal amount of general obligation bonds of the City in one or more series, including the 2025A Bonds and the 2025B Bonds, to pay the costs of certain projects in the City’s capital budgets authorized thereunder. Following the issuance of the 2025A Bonds and 2025B Bonds, no authorization remains under the 2022 Capital Project Ordinance.

The June 2024 Capital Project Ordinance authorizes the Bond Committee, or a majority of them, to issue and sell on behalf of the City, up to \$227,000,000 aggregate principal amount of general obligation bonds of the City in one or more series, including the 2025A Bonds and the 2025B Bonds, to pay the costs of certain projects in the City’s capital budgets authorized thereunder. Following the issuance of the 2025A Bonds and 2025B Bonds, approximately \$175,340,000 aggregate principal amount of bonds will remain authorized and unissued under the June 2024 Capital Project Ordinance.

The September 2024 Capital Project Ordinance authorizes the Bond Committee, or a majority of them, to issue and sell on behalf of the City, up to \$342,000,000 aggregate principal amount of general obligation bonds of the City in one or more series, including the 2025A Bonds and the 2025B Bonds, to pay the costs of certain projects in the City’s capital budgets authorized thereunder. Following the issuance of the 2025A Bonds and 2025B Bonds, approximately \$323,660,000 aggregate principal amount of bonds will remain authorized and unissued under the September 2024 Capital Project Ordinance.

The Refunding Ordinance authorizes the Bond Committee, or a majority of them, to issue and sell on behalf of the City, up to \$1,500,000,000 aggregate principal amount (exclusive of costs of issuance, including, but not limited to, underwriters' discount, costs of liquidity and/or credit enhancement, original issue discount or redemption premiums, if any, on bonds being refunded or similar items) of general obligation bonds of the City in one or more series, including the 2025C Bonds. Following the issuance of the 2025C Bonds, \$779,095,000 aggregate principal amount of bonds will remain authorized and unissued under the Refunding Ordinance (plus amounts for costs of issuance, including, but not limited to, underwriters' discount, costs of liquidity and/or credit enhancement, original issue discount or redemption premiums, if any, on bonds being refunded or similar items). Pursuant to 53 P.S. Section 12589, the Refunding Ordinance authorizes the City to purchase any of its outstanding general obligation debt, such as the Tender Offer Bonds, authorized to be refunded with proceeds of general obligation refunding bonds pursuant to the Refunding Ordinance.

By the resolution adopted by the Bond Committee on May 23, 2025, (the "Tender Offer Bond Committee Resolution"), the Bond Committee authorized various matters with respect to the undertaking of the tender offer for the Tender Offer Bonds.

By the resolution adopted by the Bond Committee on June 10, 2025 (the "BC Resolution," and together with the Tender Offer Bond Committee Resolution, the "Bond Committee Resolutions"), the Bond Committee authorized the issuance of the 2025 Bonds in the aggregate principal amount of \$872,570,000, and determined, among other things, the terms of the 2025 Bonds, including the interest rates and maturity dates and amounts.

Constitutional Debt Limit

General obligation debt of the City consists of two types: (i) debt (herein called "Tax-Supported Debt"), which is subject to the limitation of the Constitution of the Commonwealth (the aggregate limit on such debt equals 13.5% of the average of the annual assessed valuations of the taxable real property in the City during the ten (10) years immediately preceding the year in which such debt is incurred (of which, no more than 3% may be non-electoral debt (the "Constitutional Debt Limit"))); and (ii) debt (herein called "Self-Supporting Debt"), which, having been incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay the debt service thereon, is excluded from the computation of debt for the purposes of the Constitutional Debt Limit. The amount of Self-Supporting Debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-Supporting Debt is general obligation debt of the City and ranks equally in all respects with Tax-Supported Debt, the only distinction being that it is not used in the calculation of the Constitutional Debt Limit. Self-Supporting Debt, however, is not secured by a lien on any particular revenues. The 2025 Bonds constitute Tax-Supported Debt. The issuance of the 2025 Bonds will not cause the City's indebtedness to exceed the Constitutional Debt Limit. For more information on the Constitutional Debt Limit, see "DEBT OF THE CITY – General" in APPENDIX A hereto.

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

See also "FISCAL YEAR DEBT SERVICE REQUIREMENTS" herein.

Purpose

The 2025A Bonds are being 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 2025A Bonds.

The 2025B Bonds are being 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 2025B Bonds.

The 2025C Bonds are being issued for the purpose of providing funds, together with other available funds of the City, to (i) refund the Refunded Bonds, as more particularly described herein, (ii) purchase the Tender Offer Bonds as described in the Invitation (both as defined herein) and (iii) pay the costs relating to the issuance of the 2025C Bonds.

For more information on the purposes of the issuance of the 2025 Bonds, see "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein. For more information on the Invitation, see "TENDER OFFER OF CERTAIN BONDS." See APPENDIX G hereto for details on the Refunded Bonds and the Tender Offer Bonds.

Security for the 2025 Bonds

The 2025 Bonds are general obligations of the City, and the full faith, credit and taxing power of the City are pledged for the payment of the principal of and interest on the 2025 Bonds when due. The City has covenanted in the Ordinances that, so long as the 2025 Bonds remain outstanding, it will make payments out of its respective sinking funds or any other of its general revenues or funds at such times and in such annual amounts as shall be sufficient for the payment of interest thereon and the principal thereof when due, whether at maturity or upon redemption. See "SECURITY FOR THE 2025 BONDS" herein.

Fiscal Agent

U.S. Bank Trust Company, National Association, a national banking association formed under the laws of the United States of America, will serve as fiscal agent for the 2025 Bonds (the "Fiscal Agent"). The address of the designated corporate trust office of the Fiscal Agent is 1735 Market Street, 43rd Floor, Philadelphia, Pennsylvania 19103.

Information Regarding The City of Philadelphia

APPENDIX A provides information regarding the City, including relevant statutory provisions, financial information, litigation information, the City's relationship with the Pennsylvania Intergovernmental Cooperation Authority ("PICA") and the City's five-year plans. APPENDIX B contains socioeconomic and demographic information about the City. APPENDIX C contains the Annual Comprehensive Financial Report of the City for the Fiscal Year ended June 30, 2024 (the "Fiscal Year 2024 ACFR"). Certain information contained in APPENDIX A regarding the City is for periods prior to or subsequent to June 30, 2024. As a result, certain of the information in APPENDIX C may vary from corresponding information concerning the City in APPENDIX A.

The Fiscal Year 2024 ACFR was filed with the Municipal Securities Rulemaking Board ("MSRB") on February 25, 2025, through the MSRB's Electronic Municipal Market Access ("EMMA") system. For bonds issued in calendar year 2015 and thereafter, the annual filing deadline for the ACFR is

February 28; for bonds issued prior to calendar year 2015, the annual filing deadline for the ACFR is 240 days after the end of the respective Fiscal Year, being February 25.

The Fiscal Year 2024 ACFR and other information about the City can be found on the City's website at www.phila.gov/investor (the "City's Investor Website"). The "Terms of Use" statement of the City's Investor Website, which applies to all users of the City's Investor Website, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City's Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. The information contained on the City's Investor Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2025 Bonds should rely only on information contained in this Official Statement or expressly incorporated by reference herein.

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2024 ACFR. The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the basic financial statements of the City in the Fiscal Year 2024 ACFR.

Miscellaneous

The quotations from and summaries and explanations of the Constitution and laws of the Commonwealth and ordinances and resolutions of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all descriptions and summaries of the 2025 Bonds are qualified in their entirety by reference to the definitive forms of the 2025 Bonds. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Bond Committee Resolutions.

This Official Statement speaks only as of the date printed on the cover page hereof. The information contained herein is subject to change. This Official Statement will be made available through the MSRB's EMMA system, accessible at <http://emma.msrb.org>.

THE 2025 BONDS

General

The 2025 Bonds will be dated the date of their issuance and delivery and will bear interest at fixed rates and mature on the dates set forth on the inside cover page of this Official Statement.

Interest on the 2025 Bonds will be computed on the basis of a 360-day year, consisting of twelve 30-day months. Interest on the 2025 Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2025. Each of the foregoing is an "Interest Payment Date."

While the 2025 Bonds are issued and registered in book-entry only form, interest and principal shall be payable in the manner described in APPENDIX F hereto.

If the 2025 Bonds are no longer issued and registered in book-entry only form, interest and principal shall be payable in the following manner. Interest on the particular series of 2025 Bonds will be paid by check of the Fiscal Agent mailed to the Registered Owners (as defined herein) at their respective addresses appearing in the bond register at the close of business on the fifteenth day immediately

preceding each Interest Payment Date (the “Record Date”). Interest on the particular series of 2025 Bonds is also payable by wire transfer to a designated account within the continental United States upon receipt by the Fiscal Agent, at least two (2) business days prior to the applicable Record Date, of the written request of a Registered Owner of \$1,000,000 or more aggregate principal amount of the particular series of 2025 Bonds. The principal of the particular series of 2025 Bonds will be payable at the designated corporate trust office of the Fiscal Agent upon presentation and surrender of the 2025 Bonds.

Any interest on a 2025 Bond which is due and payable but is not punctually paid or duly provided for on an Interest Payment Date shall cease to be payable to the person in whose name such 2025 Bond is registered in the bond register (“Registered Owner”) maintained by the Fiscal Agent, as bond registrar, on the relevant Record Date and such defaulted interest will be paid to the Registered Owner at the close of business on a special record date, which shall be fixed by the Fiscal Agent. The Fiscal Agent shall cause notice of the date and amount of the proposed payment of defaulted interest and the special record date therefor to be mailed to each Registered Owner of a 2025 Bond, at its respective address appearing in the bond register, not less than ten (10) days prior to the special record date. The full text of each series of the 2025 Bonds is included in the BC Resolution, a copy of which is on file with the Fiscal Agent. See “INTRODUCTION – Authorization” herein.

The 2025 Bonds will be issued as registered bonds in denominations of \$5,000 or any integral multiple thereof (“Authorized Denominations”). The 2025 Bonds are subject to redemption prior to maturity, as described in “– Redemption Provisions” below.

Redemption Provisions

Optional Redemption

2025A Bonds. The 2025A Bonds maturing on or before August 1, 2035, are not subject to optional redemption. The 2025A Bonds maturing on or after August 1, 2036 are subject to redemption prior to maturity at the option of the City, on and after August 1, 2035, either as a whole at any time or in part, in integral multiples of \$5,000, at any time and from time to time (and, if in part, in such order of maturity as the City may direct, and within a maturity by lot or by such other method as the Fiscal Agent determines to be fair and reasonable, subject to DTC procedures), in each case upon payment of the principal amount of the 2025A Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

Each optional redemption of 2025A Bonds shall be conditional and of no effect unless there are on deposit with the Fiscal Agent, as of the redemption date, sufficient funds to effect any such proposed redemption in full.

In the case of a 2025A Bond in a denomination larger than the minimum Authorized Denomination, a portion of such 2025A Bond may be redeemed, provided that the remaining portion of such 2025A Bond shall be in an Authorized Denomination.

2025B Bonds. The 2025B Bonds are subject to redemption at the option of the City, either as a whole or in part, on any Business Day, at any time and from time to time, in integral multiples of \$5,000 (and, if in part, in such order of maturity as the City may direct, and within a maturity, as described below under “– Selection of Bonds to be Redeemed in Partial Redemption”), at a redemption price equal to the greater of:

- (i) 100% of the principal amount of such 2025B Bonds to be redeemed; and

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2025B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2025B Bonds are to be redeemed, discounted to the date on which such 2025B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” (as defined herein) plus 10 basis points; plus, accrued and unpaid interest on such 2025B Bonds to be redeemed on the redemption date.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days (but no more than forty-five calendar days) prior to the redemption date (excluding inflation indexed securities) (or, if such Federal Reserve Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of such 2025B Bonds to be redeemed.

The Treasury Rate and the make-whole redemption price of the 2025B Bonds will be determined by an independent certified public accounting firm, an investment banking firm or a financial advisor retained by the City at the City’s expense.

“Business Day” means any day other than a day on which banks in New York, New York, or the City are required or authorized to close.

Each optional redemption of 2025B Bonds shall be conditional and of no effect unless there are on deposit with the Fiscal Agent, as of the redemption date, sufficient funds to effect any such proposed redemption in full.

In the case of a 2025B Bond in a denomination larger than the minimum Authorized Denomination, a portion of such 2025B Bond may be redeemed, provided that the remaining portion of such 2025B Bond shall be in an Authorized Denomination.

2025C Bonds. The 2025C Bonds maturing on or before August 1, 2035, are not subject to optional redemption. The 2025C Bonds maturing on or after August 1, 2036 are subject to redemption prior to maturity at the option of the City, on and after August 1, 2035, either as a whole at any time or in part, in integral multiples of \$5,000, at any time and from time to time (and, if in part, in such order of maturity as the City may direct, and within a maturity by lot or by such other method as the Fiscal Agent determines to be fair and reasonable, subject to DTC procedures), in each case upon payment of the principal amount of the 2025C Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

Each optional redemption of 2025C Bonds shall be conditional and of no effect unless there are on deposit with the Fiscal Agent, as of the redemption date, sufficient funds to effect any such proposed redemption in full.

In the case of a 2025C Bond in a denomination larger than the minimum Authorized Denomination, a portion of such 2025C Bond may be redeemed, provided that the remaining portion of such 2025C Bond shall be in an Authorized Denomination.

Effect of Call for Redemption. On the date designated for redemption by notice given as provided in the BC Resolution, the 2025 Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such 2025 Bonds on such date, plus accrued

interest, if any, to such date. If, on the date fixed for redemption, moneys for payment of the redemption price and accrued interest are held by the Fiscal Agent as provided in the BC Resolution, interest on the 2025 Bonds so called for redemption shall cease to accrue, and such 2025 Bonds shall cease to be entitled to any benefit or security under the Ordinances or the BC Resolution except the right of Registered Owners thereof to receive payment from such moneys held by the Fiscal Agent.

Notice of Redemption. Notice of redemption identifying the 2025 Bonds to be redeemed shall be mailed by first class mail, postage prepaid, to the Registered Owners of the 2025 Bonds selected for redemption by the Fiscal Agent not less than twenty (20) days, subject to applicable requirements of any securities depository, nor more than forty-five (45) days prior to the date fixed for redemption. Such notice shall be mailed to the respective addresses of the Registered Owners of the 2025 Bonds to be redeemed as the same shall appear in the bond register. Such notice shall be given in the name of the City, shall identify the 2025 Bonds of a series to be redeemed by certificate number, unless all of the 2025 Bonds of such series are being redeemed whereupon certificate numbers need not be identified, CUSIP number, date of issue, series, interest rate, maturity date and any other identifying information (and in the case of a partial redemption of any 2025 Bonds of a series, the respective principal amount thereof to be redeemed and the numbers, including CUSIP number, if applicable, of the 2025 Bonds or portions thereof to be redeemed, which may, if appropriate, be expressed in designated blocks of numbers), shall specify the redemption date, the redemption price and the Fiscal Agent's name and address, and shall state that, on the redemption date, the 2025 Bonds called for redemption will be payable at the designated corporate trust office of the Fiscal Agent and that, from the date of redemption, interest will cease to accrue; provided, however, that the Registered Owners of all 2025 Bonds of a series to be redeemed may file written waivers of notice with the Fiscal Agent and, if so waived, such 2025 Bonds may be redeemed without the requirement of written notice.

A second notice of redemption shall be mailed in the manner provided above to any Registered Owner who has not tendered the 2025 Bonds that have been called for redemption within sixty (60) days after the applicable redemption date.

Any notice mailed in the manner provided above shall be conclusively presumed to have been duly given, whether or not received by the Registered Owner. Deposit of any such notice in the United States mail to the respective addresses of the Registered Owners as the same shall appear in the bond register shall constitute constructive receipt by the Registered Owner. Failure to so mail any such notice to a Registered Owner or any defect therein shall not affect the validity of the proceedings for such redemption as to any Registered Owner to whom proper notice has been mailed.

Each notice of redemption pursuant to the provisions above shall specify that, to the extent that funds on deposit with the Fiscal Agent as of the redemption date are insufficient to provide funds to effect any such proposed redemption, such call for redemption shall be of no effect.

Notwithstanding the foregoing, while the 2025 Bonds are issued and registered in book-entry only form, redemptions of the 2025 Bonds shall occur in the manner described in APPENDIX F hereto.

Selection of Bonds to be Redeemed in Partial Redemption

2025A Bonds and 2025C Bonds. While the 2025A Bonds and the 2025C Bonds are registered in book-entry-only form in the name of Cede & Co. or other nominee of DTC, in the case of partial redemptions of such bonds of a series and maturity, such bonds will be selected for redemption, in accordance with DTC procedures, by lot. See APPENDIX F – “BOOK-ENTRY-ONLY SYSTEM.”

2025B Bonds. Any redemption of less than all of the 2025B Bonds of a particular maturity shall be allocated among Registered Owners of the 2025B Bonds of such maturity as nearly as practicable in proportion to the principal amounts of the 2025B Bonds of such maturity owned by each such Registered Owner, subject to the authorized denominations applicable to the 2025B Bonds. So long as DTC or a successor securities depository is the sole registered holder of the 2025B Bonds, any redemption of less than all of the 2025B Bonds of a maturity or portions thereof will be selected on a pro rata pass through distribution of principal basis in accordance with the security depository's procedures in effect at such time. It is the City's intent that redemption allocations made by DTC, the DTC participants or such other intermediaries that may exist between the City and the Beneficial Owners (as defined in APPENDIX F) be made in accordance with these same proportional provisions. Neither the City nor the Underwriters can provide any assurance that DTC, the DTC participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a proportional basis.

Transfer and Exchange

Any 2025 Bond may be surrendered for registration of transfer or for exchange to the Fiscal Agent, as bond registrar, duly endorsed or accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the bond registrar and executed by the Registered Owner or the Registered Owner's attorney-in-fact. The bond registrar is required to authenticate and deliver to and in the name of the designated transferee one or more new fully-registered 2025 Bonds of the same series and maturity, in Authorized Denominations and of the same aggregate principal amount as the 2025 Bonds so surrendered. No service charge will be made for any transfer or exchange, except that the Registered Owner requesting the transfer or exchange shall be required to pay any tax or governmental charge payable in connection therewith. When the book-entry system is in effect, transfers of Beneficial Owners' (as defined in APPENDIX F) interests in the 2025 Bonds will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. See APPENDIX F.

The City and the bond registrar are not required to issue, transfer or exchange any 2025 Bond of a series: (i) during a period beginning at the opening of business fifteen (15) days before the day of the selection of 2025 Bonds of such series to be redeemed and ending at the close of business on the day on which any notice of redemption of 2025 Bonds of such series is given; or (ii) which is selected for redemption in whole or in part.

SECURITY FOR THE 2025 BONDS

General

The 2025 Bonds are general obligations of the City, and the full faith, credit and taxing power of the City are pledged for the payment of the principal of and interest on the 2025 Bonds when due. The City has covenanted in the Ordinances that, so long as the 2025 Bonds remain outstanding, it will make payments out of its respective sinking funds or any other of its general revenues or funds at such times and in such annual amounts as shall be sufficient for the payment of interest thereon and the principal thereof when due, whether at maturity or upon redemption. For the City's schedule of debt service payments for all outstanding General Fund-Supported Debt, see "FISCAL YEAR DEBT SERVICE REQUIREMENTS" herein. For more information on the debt of the City, see "DEBT OF THE CITY" in APPENDIX A.

The availability of revenues and funds of the City to support its General Obligation Debt, including the 2025 Bonds, is, however, subject to the priority in application of revenues as is required by

law for the City's revenue bonds and to covenants made with respect to such revenue bonds, and excludes grants in aid, trust funds and sinking funds designated for application to specific purposes.

The City is also empowered by statute to issue revenue bonds and, as of April 30, 2025, had outstanding \$3.41 billion aggregate principal amount of Water and Wastewater Revenue Bonds ("Water and Wastewater Bonds"), \$1.18 billion aggregate principal amount of Gas Works Revenue Bonds, and \$1.37 billion aggregate principal amount of Airport Revenue Bonds. As of April 30, 2025, the City has also enacted ordinances authorizing the issuance of (i) up to \$500 million aggregate principal amount in Airport Revenue Commercial Paper Notes for the Department of Aviation, (ii) up to \$1 billion of Airport Revenue Bonds to finance capital projects for the Department of Aviation (of which approximately \$179.6 million has been issued), (iii) up to \$270 million of Gas Works Revenue Notes to finance working capital and capital projects for PGW, (iv) up to \$300 million of Gas Works Revenue Bonds to finance capital projects for PGW, of which approximately \$92.0 million has been issued, (v) up to \$400 million of Water and Wastewater Commercial Paper Notes for the Philadelphia Water Department, and (vi) up to \$1.9 billion of Water and Wastewater Revenue Bonds for the Philadelphia Water Department, of which approximately \$1.0 billion has been issued.

See APPENDIX A for certain financial information regarding the City, including information on recent and upcoming financings in "OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings." See APPENDIX C for the City's Fiscal Year 2024 ACFR.

Rights and Remedies of Bondholders

Should a Registered Owner fail to receive payment of principal or interest when due and payable, a suit may be brought by such Registered Owner against the City to seek a judgment for the unpaid amount.

No writ of execution may be issued on such judgment against the real or personal property of the City, but under section 6 of the Act of April 15, 1834, P.L. 537, a judgment creditor may cause the court to issue a writ commanding the City Treasurer to cause the judgment to be paid out of any unappropriated monies of the City, and if there be no such monies, out of the first monies that shall be received for the use of the City. This statute was repealed by the Act of April 28, 1978, P.L. 202, which provides that "[g]eneral rules promulgated pursuant to the Constitution of Pennsylvania and the Judicial Code in effect on the effective date of the repeal of a statute, shall prescribe and provide the practice and procedure with respect to the enforcement of any right, remedy or immunity where the practice and procedure had been governed by the repealed statute on the date of its repeal. If no such general rules are in effect with respect to the repealed statute on the effective date of its repeal, the practice and procedure provided in the repealed statute shall continue in full force and effect, as part of the common law of the Commonwealth, until such general rules are promulgated." Since no general rules were in effect with respect to the repealed statute on the effective date of its repeal and no general rules have been promulgated since such effective date, the practices and procedures provided in the repealed statute continue in full force and effect. Furthermore, the City's Home Rule Charter requires that, if any obligations of the City are not paid or provided for within the fiscal year in which such obligations are payable, the annual operating budget ordinance for the following fiscal year shall provide for discharging the resulting deficit.

The rights and remedies of Bondholders with respect to the City's obligations under the 2025 Bonds could be significantly limited by the provisions of Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Chapter 9 permits, under prescribed circumstances (and only after an authorization by the applicable state legislature or by a governmental office or organization empowered by state law to give such authorization), a "municipality" of a state to file a petition for relief in a bankruptcy court of the

United States if it is insolvent or unable to meet its debts as they mature, and it desires to effect a plan to adjust its debt. Chapter 9 defines “municipality” as a “political subdivision or public agency or instrumentality of a State.” Thus, for purposes of Chapter 9, except as may be limited by state law, the City would be considered a “municipality.” As a result of the commencement of a federal bankruptcy case by the City, Bondholders could experience delays in receiving payments of principal or redemption price of, or interest on, the 2025 Bonds, as well as partial or total losses of their investments in the 2025 Bonds.

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Pa. P.L. 9, No. 6 (1991), as amended by the Act of July 7, 2022, P.L. 440, No. 36) (the “PICA Act”), prohibits the City from filing a petition for relief under Chapter 9 so long as PICA has any power or duty under the PICA Act (which provides that PICA will remain in existence until the later of January 2, 2047 or one year after all its liabilities are met or, in the case of PICA Bonds (as defined in APPENDIX A), one year after provision for such payment shall have been made or provided for in the applicable bond indenture). Furthermore, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City, and the City’s proposed plan, after the Governor holds a hearing as required by the PICA Act. If the Governor were to grant an approval for the City to file a petition under Chapter 9, and the City were to file, provisions of the United States Bankruptcy Code could limit the enforcement of Bondholders’ rights and remedies. For more information on PICA, see APPENDIX A – “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – *Non-Mayor-Appointed or Nominated Agencies* – PICA.”

Regardless of any specific adverse determinations in a City bankruptcy proceeding, the existence of such a proceeding could have a materially adverse effect on the liquidity and value of the 2025 Bonds.

The rights and remedies of Bondholders could also be limited by other reorganization, receivership, and insolvency proceedings, and general principles of equity (whether asserted in a proceeding at law or in equity).

PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS

The City intends to use the proceeds of the 2025A Bonds 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 2025A Bonds.

The City intends to use the proceeds of the 2025B Bonds 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 2025B Bonds.

The City intends to use the proceeds of the 2025C Bonds, together with other available funds of the City, to (i) refund (1) the August 1, 2026 through 2031 maturities of the City’s General Obligation Refunding Bonds, Series 2015A (the “2015A Refunded Bonds”), (2) the August 1, 2026 through 2033 and 2035 maturities of the City’s General Obligation Bonds, Series 2015B (the “2015B Refunded Bonds,” and together with the 2015A Refunded Bonds, the “2015 Refunded Bonds”), (3) all or a portion of the July 15, 2026 through 2033 maturities of the City’s General Obligation Refunding Bonds, Series 2020A (Federally Taxable) (the “2020A Refunded Bonds”), and (4) all or a portion of the July 15, 2026 through 2034 maturities of the City’s General Obligation Refunding Bonds, Series 2021B (Federally Taxable) (the “2021B Refunded Bonds,” and together with the 2020A Refunded Bonds, the “Taxable Refunded Bonds,” and collectively with the 2015 Refunded Bonds, the “Refunded Bonds”), (ii) purchase the Tender Offer Bonds (as described further below) validly tendered and accepted for purchase by the

City as described in the Invitation (as defined herein), and (iii) pay the costs relating to the issuance of the 2025C Bonds.

Certain of the Taxable Refunded Bonds constitute the remaining balance of certain bonds identified as “Target Bonds” pursuant to the Invitation (as defined herein), which were not tendered and accepted for purchase pursuant to the Tender Offer.

A portion of the proceeds of the 2025C Bonds will be (i) deposited in separate escrow funds (the “Escrow Funds”) established under separate escrow deposit agreements for the respective series of the Refunded Bonds, each dated as of June 18, 2025 (the “Escrow Agreements”), between the City and U.S. Bank Trust Company, National Association, as escrow agent, (ii) invested in United States Treasury securities (“Treasury Securities”) (and certain scheduled rollover State and Local Government Series Treasury Securities), and (iii) applied, together with cash held in the applicable Escrow Fund, to (a) the payment of the interest on and redemption price of the Refunded Bonds on the applicable redemption date or (b) the payment of the interest on and maturing principal of the Taxable Refunded Bonds, as they become due and payable, to and including their respective stated maturity dates.

The City intends to use a portion of the proceeds of the 2025C Bonds, together with other available funds of the City, to purchase and cancel, on the date of delivery of the 2025C Bonds, the Tender Offer Bonds validly tendered and accepted for purchase by the City. The refunding of the Refunded Bonds and the purchase and cancellation of the Tender Offer Bonds validly tendered and accepted for purchase by the City are subject to the delivery of the 2025C Bonds.

For more information on the Refunded Bonds and Tender Offer Bonds and the Invitation, see “VERIFICATION,” “TENDER OFFER OF CERTAIN BONDS,” and APPENDIX G – “BONDS TO BE REFUNDED OR PURCHASED.”

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The following table sets forth estimated sources and uses of funds in connection with the 2025 Bonds:

| | 2025A Bonds | 2025B Bonds | 2025C Bonds | Total |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Sources of Funds | | | | |
| Principal Amount..... | \$301,320,000.00 | \$100,460,000.00 | \$470,790,000.00 | \$872,570,000.00 |
| Original Issue Premium | 19,361,541.60 | - | 39,229,366.80 | 58,590,908.40 |
| Available Sinking Fund Amounts | - | - | 33,159.51 | 33,159.51 |
| Total Sources of Funds | \$320,681,541.60 | \$100,460,000.00 | \$510,052,526.31 | \$931,194,067.91 |
| Uses of Funds | | | | |
| Capital Fund | \$319,000,000.00 | \$100,000,000.00 | - | \$419,000,000.00 |
| Refunding Escrow Deposits | - | - | 291,887,176.27 | 291,887,176.27 |
| Tender Offer Bonds Purchase Price..... | | | 215,269,015.67 | 215,269,015.67 |
| Costs of Issuance and Tender Offer ⁽¹⁾ | 1,681,541.60 | 460,000.00 | 2,896,334.37 | 5,037,875.97 |
| Total Uses of Funds | \$320,681,541.60 | \$100,460,000.00 | \$510,052,526.31 | \$931,194,067.91 |

⁽¹⁾ Includes legal fees, Underwriters' discount, printing costs, rating agency fees, Fiscal Agent's fees, escrow agent fees, co-financial advisor fees, verification agent fees, dealer manager fees, information agent and tender agent fees, other fees and expenses incident to the tender, purchase, and cancellation of the Tender Offer Bonds, other expenses of the offering, and rounding amounts.

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FISCAL YEAR DEBT SERVICE REQUIREMENTS

Set forth below is the schedule of estimated Fiscal Year debt service payments due on the 2025 Bonds and all outstanding General Fund-Supported Debt in each Fiscal Year of the City ending June 30. The schedule does not include (a) debt service on PICA Bonds, if any, (b) debt service on the City's revenue bonds or notes, which include Water and Wastewater Revenue Bonds, Gas Works Revenue Bonds or notes, if any, and Airport Revenue Bonds, (c) debt service on the City's tax and revenue anticipation notes, if any, or (d) letter of credit fees. For more information on the City's outstanding debt, see "DEBT OF THE CITY" (and Tables 40-43 therein) and "OTHER FINANCING RELATED MATTERS" in APPENDIX A hereto.

| Fiscal Year Ending June 30, | Debt Service on the 2025 Bonds (A) | Current Debt Service on General Obligation Debt ^{(1), (2), (3)} (B) | Current Debt Service on all other General Fund-Supported Debt ^{(4), (5), (6), (7)} (C) | Aggregate Debt Service on all General Fund-Supported Debt (A+B+C) |
|--------------------------------|--|--|---|--|
| 2026 | \$32,560,998 | \$160,267,548 | \$291,656,064 | \$484,484,610 |
| 2027 | 80,481,470 | 131,315,454 | 286,960,526 | 498,757,450 |
| 2028 | 84,470,747 | 127,713,362 | 289,852,138 | 502,036,247 |
| 2029 | 82,284,531 | 98,889,690 | 346,318,184 | 527,492,404 |
| 2030 | 116,029,300 | 76,624,454 | 135,883,392 | 328,537,145 |
| 2031 | 107,809,994 | 85,606,431 | 135,859,771 | 329,276,196 |
| 2032 | 110,607,515 | 82,880,259 | 94,248,945 | 287,736,719 |
| 2033 | 90,189,077 | 67,259,879 | 92,184,657 | 249,633,614 |
| 2034 | 87,644,373 | 55,870,554 | 106,596,816 | 250,111,743 |
| 2035 | 74,963,813 | 54,772,679 | 121,399,615 | 251,136,107 |
| 2036 | 55,702,938 | 74,191,480 | 83,832,884 | 213,727,302 |
| 2037 | 38,129,563 | 77,658,617 | 83,836,702 | 199,624,881 |
| 2038 | 43,552,688 | 71,915,317 | 83,821,314 | 199,289,319 |
| 2039 | 31,921,563 | 64,774,703 | 71,901,506 | 168,597,772 |
| 2040 | 31,924,563 | 30,193,100 | 62,083,317 | 124,200,980 |
| 2041 | 31,925,188 | 30,193,475 | 62,076,266 | 124,194,929 |
| 2042 | 31,920,688 | 30,196,175 | 54,019,840 | 116,136,703 |
| 2043 | 31,922,938 | - | 47,191,425 | 79,114,363 |
| 2044 | 31,922,681 | - | 47,193,550 | 79,116,231 |
| 2045 | 31,922,781 | - | 20,722,000 | 52,644,781 |
| 2046 | 31,921,506 | - | 15,899,625 | 47,821,131 |
| 2047 | - | - | 15,902,875 | 15,902,875 |
| 2048 | - | - | - | - |
| 2049 | - | - | - | - |
| 2050 | - | - | - | - |
| TOTALS⁽⁸⁾ | \$1,259,808,910 | \$1,320,323,179 | \$2,549,441,413 | \$5,129,573,502 |

⁽¹⁾ Includes both Tax-Supported Debt and Self-Supporting Debt. See "INTRODUCTION – Constitutional Debt Limit."

⁽²⁾ Reflects the refunding of the Refunded Bonds and the purchase and cancellation of the Tender Offer Bonds accepted for purchase.

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

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

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

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

⁽⁸⁾ Totals may not add due to rounding.

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TENDER OFFER OF CERTAIN BONDS

Capitalized terms used under this caption “TENDER OFFER OF CERTAIN BONDS,” which are not otherwise defined, shall have the respective meanings specified in the Invitation (as defined below).

The City released the Invitation to Tender Bonds, dated May 23, 2025 (as amended and supplemented) (the “Invitation”), to the beneficial owners of certain bonds, as described and on the terms set forth therein. Bonds, which the City has invited their owners to offer and sell to the City for cash pursuant to the terms of the Invitation, are collectively referred to herein as the “Tender Offer Bonds.” Subject to the terms and conditions of the Invitation, upon the issuance and delivery of the 2025C Bonds, the City will purchase the Tender Offer Bonds validly tendered and accepted for purchase (comprising the applicable bonds set forth in APPENDIX G – “BONDS TO BE REFUNDED OR PURCHASED”). The process of the City disseminating the Invitation, determining which of the Tender Offer Bonds to purchase, and consummating the purchase thereof is collectively referred to herein as the “Tender Offer.” In connection with the Tender Offer (as set forth in the Invitation and pursuant to the Dealer Manager Agreement), the City appointed BofA Securities, Inc. as Lead Dealer Manager, and Loop Capital Markets, LLC as Co-Dealer Manager (together the “Dealer Managers”).

The City expects to pay the purchase price for the Tender Offer Bonds on the date of issuance and delivery of the Series 2025C Bonds, together with the costs related thereto, from a portion of the proceeds of the Series 2025C Bonds.

For more information on the terms and conditions of the Tender Offer, see the Invitation, which is available: (i) on EMMA, using the CUSIP numbers for the Tender Offer Bonds, and (ii) on the website of the Information Agent and Tender Agent at www.globic.com/philadelphia. **The City’s offer to purchase Tender Offer Bonds has been made only through the Invitation and beneficial holders of the Tender Offer Bonds should refer solely to the Invitation, including all Appendices, notices, amendments, and supplements thereto, if any, for information regarding the Tender Offer, including the conditions to settlement.**

UNDERWRITING

The 2025 Bonds are being purchased by the Underwriters named on the cover page of this Official Statement (the “Underwriters”), for whom BofA Securities, Inc. is acting as the representative (the “Representative”), subject to certain terms and conditions set forth in a Bond Purchase Agreement between the City and the Representative, on behalf of the Underwriters.

The 2025A Bonds are being purchased at a purchase price of \$319,430,026.53, which reflects the par amount of the 2025A Bonds, plus original issue premium of \$19,361,541.60, less an Underwriters’ discount of \$1,251,515.07.

The 2025B Bonds are being purchased at a purchase price of \$100,145,165.85, which reflects the par amount of the 2025B Bonds, less an Underwriters’ discount of \$314,834.15.

The 2025C Bonds are being purchased at a purchase price of \$508,399,207.11, which reflects the par amount of the 2025C Bonds, plus original issue premium of \$39,229,366.80, less an Underwriters’ discount of \$1,620,159.69.

The 2025 Bonds are offered for sale to the public at prices set forth on the inside front cover page of this Official Statement. The 2025 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2025 Bonds into investment trusts) at prices lower than such

offering prices, and such public offering prices may be changed from time to time by the Underwriters without prior notice.

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

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

BofA Securities, Inc., an Underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

TD Securities has entered into a negotiated dealer agreement (the “TD Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”). Such agreement allows CS&Co. to provide for the retail distribution of certain securities offerings, including the 2025 Bonds at the original issue prices. Pursuant to the TD Dealer Agreement, CS&Co. may purchase the 2025 Bonds from TD Securities at the original issue prices less a negotiated portion of the selling concession applicable to any of the 2025 Bonds CS&Co. sells.

LEGALITY FOR INVESTMENT

Under the Pennsylvania Probate, Estates and Fiduciaries Code, the 2025 Bonds are authorized investments for fiduciaries, as defined in that code, within the Commonwealth. The 2025 Bonds are legal investments for Pennsylvania savings banks, banks, trust companies and insurance companies and are acceptable as security for deposits of funds of the Commonwealth.

RATINGS

Fitch Ratings, Inc., Moody’s Ratings, and S&P Global Ratings, a division of S&P Global Inc., have assigned the 2025 Bonds ratings of “A+” (stable outlook), “A1” (stable outlook), and “A+” (stable outlook), respectively. Such ratings reflect only the view of each such credit rating agency. An explanation of the significance of each of such ratings and any outlook may only be obtained from the rating agency furnishing the same.

A rating, including the outlook, is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance that any such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such credit rating agency if, in its judgment, circumstances so warrant. Neither the City nor the Underwriters have undertaken any responsibility to assure the maintenance of any rating. The City has agreed, in the Continuing Disclosure Agreement, to report actual rating changes on the 2025 Bonds, but not changes to any outlook. See “CONTINUING DISCLOSURE UNDERTAKING” herein and APPENDIX E. Any downward change in or withdrawal of such credit rating may have an adverse effect on the marketability or market price of the 2025 Bonds.

TAX MATTERS

Federal Income Tax Treatment – 2025B Bonds

Interest on the 2025B Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the “Code”).

Federal Tax Exemption

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

In the opinion of Co-Bond Counsel, interest on the Tax-Exempt Bonds will be excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. Interest on the Tax-Exempt Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax; however, such interest may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations.

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

In addition to the matters addressed above, prospective purchasers of the Tax-Exempt Bonds should be aware that ownership of the Tax-Exempt Bonds may result in collateral tax consequences to certain taxpayers, including, but not limited to, foreign corporations, certain S corporations, financial institutions, recipients of social security and railroad retirement benefits and property or casualty insurance companies. Co-Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Tax-Exempt Bonds.

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

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

State Tax Exemption

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth, as enacted and construed on the date hereof, the interest on the 2025 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2025 Bonds.

This summary is based on laws, regulations, rulings and decisions now in effect, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary. **Prospective purchasers should consult their tax advisors about the consequences of purchasing or holding the 2025 Bonds.**

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the 2025 Bonds are subject to the approval of the legality of the issuance of the 2025 Bonds by Cozen O’Connor and Ahmad Zaffarese LLC, Co-Bond Counsel, both of Philadelphia, Pennsylvania. The proposed form of opinions of Co-Bond Counsel is included herein as APPENDIX D. Certain legal matters will be passed upon for the City by the City of Philadelphia Law Department, and for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania. Hawkins Delafield & Wood LLP and the Law Office of Ann C. Lebowitz, Philadelphia, Pennsylvania, Co-Disclosure Counsel to the City, will each deliver an opinion to the City and the Underwriters regarding certain matters.

The various legal opinions to be delivered concurrently with the delivery of the 2025 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the firm or attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO LITIGATION

Upon delivery of the 2025 Bonds, the City of Philadelphia Law Department (the “Law Department”) shall furnish an opinion to the effect, among other things, that, except for litigation, other legal proceedings, or threats thereof which, in the opinion of the Law Department, are without merit and except as disclosed in this Official Statement (including in “LITIGATION” in APPENDIX A hereto and in Note IV.8 to the Fiscal Year 2024 ACFR, “Contingencies – Primary Government – Claims and Litigation” in APPENDIX C hereto), there is no litigation or other legal proceeding pending in any court or, to the best of its knowledge after inquiry within the Law Department, threatened in writing against the City, (i) seeking to restrain or enjoin the issuance, execution, delivery, or sale of the 2025 Bonds or the Tender Offer, (ii) contesting the validity or enforceability of the City’s obligations under the 2025 Bonds, the Ordinances, the Escrow Agreements, or the Bond Committee Resolutions, or the transactions contemplated thereby, (iii) challenging the right of any City official who signs the Official Statement to hold his or her office, or (iv) in which a final adverse decision can be anticipated which would reasonably be expected to materially and adversely affect the financial condition or operations of the City as a whole or the performance by the City of its obligations under the 2025 Bonds, the Ordinances, or the Bond Committee Resolutions, or the transactions contemplated thereby.

FINANCIAL ADVISORS

PFM Financial Advisors LLC and Phoenix Capital Partners, LLP, both of Philadelphia, Pennsylvania are acting as co-financial advisors (together, the “Financial Advisors”) to the City in connection with the issuance of the 2025 Bonds. The Financial Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2025 Bonds. They have received and reviewed but have not independently verified information in this Official Statement for accuracy or completeness (except, as to each Financial Advisor, the information in this section). Investors should not draw any conclusions as to the suitability of the 2025 Bonds from, or base any investment decisions upon, the fact that the Financial Advisors have advised the City with respect to the 2025 Bonds. The Financial Advisors’ fees for this issue are contingent upon the sale and issuance of the 2025 Bonds.

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

VERIFICATION

American Municipal Tax-Exempt Compliance Corporation dba AMTEC, of Avon, Connecticut (the “Verification Agent”), will verify from the information provided to them the mathematical accuracy, as of the date of delivery of the Tax-Exempt Bonds, of the computations contained in the provided schedules to determine: (i) that the amount of the maturing principal amount of the Treasury Securities (including certain scheduled rollover State and Local Government Series Treasury Securities with respect to the Taxable Refunded Bonds) and the interest income to be realized thereon, together with uninvested cash, if any, to be deposited in the applicable accounts of the Escrow Fund for the 2015 Refunded Bonds and the Taxable Refunded Bonds, as applicable, will be sufficient to pay, when due, the principal, or redemption price of and interest on such Refunded Bonds, as applicable, and (ii) the yield on the Tax-Exempt Bonds and the Treasury Securities purchased with a portion of the proceeds of the 2025C Bonds held pursuant to the Escrow Agreements to refund the Taxable Refunded Bonds. The Verification Agent will express no opinion on any of the assumptions provided to it, nor as to the exemption from taxation of interest on the Tax-Exempt Bonds.

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

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C., as dissemination agent, for the benefit of the Registered Owners (as defined in such agreement) of the 2025 Bonds, to be dated the date of original delivery of and payment for the 2025 Bonds, the form of which is annexed hereto as APPENDIX E. The City also periodically reviews and updates its disclosure policies and procedures to assist the City in complying with its continuing disclosure undertakings.

MISCELLANEOUS

This Official Statement is made available only in connection with the sale of the 2025 Bonds and may not be used in whole or in part for any other purpose. This Official Statement is not to be construed as a contract or agreement between the City, the Underwriters, and the purchasers or owners of any of the 2025 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there is no change in the affairs of the City since the date hereof.

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

The City makes no representations or warranties to investors as to the accuracy or timeliness of any other information available on the City's Investor Website or any other website maintained by the City, nor any hyperlinks referenced therein.

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The City has authorized the execution and distribution of this Official Statement.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

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

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APPENDIX A

GOVERNMENT AND FINANCIAL INFORMATION

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OVERVIEW

The City of Philadelphia (the “City” or “Philadelphia”), located along the southeastern border of the Commonwealth of Pennsylvania (the “Commonwealth” or “Pennsylvania”), is the largest city in the Commonwealth and the sixth-largest city in the United States. The City is also the center of the United States’ seventh-largest metropolitan statistical area, which is an 11-county area encompassing the City, Camden, NJ, and Wilmington, DE. According to the U.S. Census data, the City increased its population by 3.7% to 1.582 million residents from 2012 to 2023, with a slight decrease to 1.574 million residents estimated for 2024.

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

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

Fiscal Health of the City

General: The City has implemented several strategies to address significant fiscal challenges for Fiscal Year 2025 and over the course of Fiscal Years 2025-2030, which are described in the Fiscal Year 2025 Adopted Budget, the Proposed Thirty-Fourth Five-Year Plan, and the FY 2025 Third Quarter QCMR (each as defined herein), as applicable. The current estimates for Fiscal Year 2025 are sourced to the FY 2025 Third Quarter QCMR throughout this APPENDIX A, unless otherwise noted herein.

In response to increased expenses related to the impact of the novel coronavirus (“COVID-19”) pandemic, various federal, state, and local recovery grants became available to the City, including recovery grants under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and the American Rescue Plan Act of 2021 (the “American Rescue Plan” or “ARPA”). The CARES Act and the American Rescue Plan included 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 included \$276 million in Coronavirus Relief Funds (via the CARES Act) and \$1.395 billion in Coronavirus State and Local Fiscal Recovery Funds (via the American Rescue Plan), which represented the two largest allocations made to the City. The American Rescue Plan funds were obligated prior to the December 31, 2024 deadline as required by United States Treasury.

See “DISCUSSION OF FINANCIAL OPERATIONS” and Tables 1 and 2 (and the text following Table 2) for more information on the Fiscal Year 2025 Adopted Budget, the Proposed Thirty-Fourth Five-Year Plan, and the FY 2025 Third Quarter QCMR, the City’s historical financial operations, and the City’s projected General Fund balances for Fiscal Years 2025-2030.

Revenues. For Fiscal Year 2024, the City reported revenues of \$6.064 billion, a \$16.6 million (0.27%) increase compared to Fiscal Year 2023. For Fiscal Year 2025, the City is estimating revenues of \$6.49 billion (based on the FY 2025 Third Quarter QCMR).

For Fiscal Year 2024, the City reported decreases in tax collections, resulting in tax collections of \$4.088 billion, a \$66.3 million (1.62%) net decrease compared to Fiscal Year 2023. Such amounts include the reassignment of Parking Tax revenue from the General Fund to the Transportation Fund, which totaled approximately \$101.9 million in Fiscal Year 2023. For Fiscal Year 2025, the City is estimating tax collections of \$4.35 billion (based on the FY 2025 Third Quarter QCMR).

For more information on tax revenues, see “– Fiscal Health of the City – Tax Revenues” and “REVENUES OF THE CITY” and Table 3 herein.

Expenses. The City is projecting higher costs for essential services and increased fixed costs, including overtime and other added labor costs and higher pension payments. In Fiscal Years 2020-2023, the City incurred significant new expenses for healthcare to reduce the spread of COVID-19 and treat those affected, including labor costs and expenses for testing sites and supplies, quarantine locations and services, surge hospital capacity, medical vehicles, personal protective equipment, disinfectant/cleaning supplies, morgue capacity, business supports, and vaccination rollout and administration. In addition to then-ongoing pandemic-related expenses, the City incurred additional expenses relating to certain unplanned events in Fiscal Year 2021 that stressed operations and the local economy.

As noted above, the City received \$276 million from the CARES Act and \$1.395 billion from the American Rescue Plan for COVID-19-related costs. The City received in Fiscal Years 2020 and 2021 certain CARES Act funding in the amounts of \$100 million in the General Fund and \$176 million in the Grants Revenue Fund, respectively. Such amounts were available to be transferred periodically from the Grants Revenue Fund to the General Fund to reimburse for COVID-19-related costs. In Fiscal Years 2021-2024, the City drew down on approximately \$26 million, \$250 million, \$335 million, and \$391 million, respectively, in federal COVID-19 relief funding from the American Rescue Plan. In Fiscal Year 2025, the City drew down on approximately \$419 million in federal COVID-19 relief funding from the American Rescue Plan, which represents the last of such relief funding. Such funds were obligated prior to the December 31, 2024 obligation deadline as required by US Treasury

The Proposed Thirty-Fourth Five-Year Plan specifically highlights two key expense challenges for the City – the end of the American Rescue Plan funds after the first half of Fiscal Year 2025 (as described above) and a balloon payment due on pension obligation bonds in Fiscal Year 2029 (see Table 42 herein). The City has budgeted and planned for both of these fiscal matters.

In addition, there have been several federal executive orders and guidance with respect to possible pauses to the disbursement of certain federal funds for various states, cities, and other local jurisdictions, including the City. The City is monitoring these developments to assess any impact on potential availability of federal funding (see succeeding paragraph). The City does not include potential federal stimulus funding entitlements or funds from other federal or Commonwealth sources that may be received in its budgetary projections or five-year financial planning.

As of May 2025, the City has received nine federal grant terminations. Two grants are terminated pending administrative appeals filed by the City (with roughly \$4.8 million in funding at risk). Four grants are covered under temporary restraining orders (with no funding at risk while the temporary restraining orders are in effect). Three grants have been terminated with no appeal option but a lawsuit is pending (with roughly \$250,000 in funding at risk). Approximately \$1.25 million of the total at-risk federal funding referenced in this paragraph has not yet been spent, so activities previously funded by

those grants are either on hold or being wound down (or funded by underspending elsewhere). The remaining amount of approximately \$3.8 million represents prior-year General Fund reimbursement that the City has not yet assumed in its General Fund projections. If this federal grant funding is eventually made available for drawdown, it would represent an unanticipated increase to the General Fund balance.

Budget Measures. In the Fiscal Year 2025 Adopted Budget, budget priorities are centered around investments in six key areas: (i) public safety, (ii) clean and green, (iii) access to economic opportunity, (iv) housing, (v) education, and (vi) core support with a continued focus on the City's long-term fiscal health.

The Mayor has also implemented a requirement for all City staff to return to full-time onsite work, starting in July 2024. This initiative seeks to encourage workers across sectors to return to the office, with a goal of reversing remote work trends. Some large private employers in the City have also announced similar initiatives.

General Fund Balance: As set forth in the City's audited Annual Comprehensive Financial Report for Fiscal Year 2024 (the "Fiscal Year 2024 ACFR"), the City reported that Fiscal Year 2024 ended with a cumulative adjusted year-end General Fund balance of \$942.9 million, which at 15.6% of projected revenues exceeds the administration's target for the General Fund balance of at least 6-8% of revenues but remains below the Government Finance Officers Association ("GFOA") recommendation of 17% of revenues.

In the FY 2025 Third Quarter QCMR, the City estimates that Fiscal Year 2025 will end with a cumulative adjusted year-end General Fund balance of \$882.1 million, which at 13.6% of projected revenues exceeds the administration's target for the General Fund balance of at least 6-8% of revenues but remains below the GFOA recommendation of 17% of revenues.

For more information on the City's historical financial operations and the City's projected General Fund balances for Fiscal Years 2025-2030, see "DISCUSSION OF FINANCIAL OPERATIONS" and Tables 1 and 2 (and the text following Table 2) herein.

Budget Stabilization Reserve Fund: To provide the City with a financial cushion should unexpected costs arise, the City made an initial deposit of \$34.3 million to the Budget Stabilization Reserve Fund, pursuant to the adopted budget for Fiscal Year 2020. Pursuant to the adopted budget for Fiscal Year 2021, the City drew down such funds and redirected them to spending.

There were no payments to the Budget Stabilization Reserve Fund in Fiscal Years 2021 or 2022. In Fiscal Year 2023, \$65.1 million was deposited into the Budget Stabilization Reserve Fund. In Fiscal Year 2024, \$42.3 million was deposited into the Budget Stabilization Reserve Fund. As of June 30, 2024, the total in the Budget Stabilization Reserve Fund was \$112.8 million (including interest earnings). In Fiscal Year 2025, \$58.3 million was deposited into the Budget Stabilization Reserve Fund. Amounts deposited in the Budget Stabilization Reserve Fund are not included in cumulative adjusted year-end General Fund balances.

In the Proposed Thirty-Fourth Five-Year Plan, the City projects payments to the Budget Stabilization Reserve Fund in Fiscal Years 2026 and 2027 in the amounts of \$58.9 million and \$59.8 million, respectively. There can be no assurance that such payments to the Budget Stabilization Reserve Fund will occur. The Proposed Thirty-Fourth Five-Year Plan does not include any projected payments to the Budget Stabilization Reserve Fund in Fiscal Years 2028-2030. The Proposed Thirty-Fourth Five-Year Plan does not include any withdrawals from the Budget Stabilization Reserve Fund. For more

information on the Budget Stabilization Reserve Fund, see “DISCUSSION OF FINANCIAL OPERATIONS – Budget Stabilization Reserve Fund” herein.

Budgeted Reserves: The Fiscal Year 2025 Adopted Budget, the Proposed Thirty-Fourth Five-Year Plan, and the FY 2025 Third Quarter QCMR, as applicable, include budgeted reserves, certain of which are described below.

Labor Reserve. The Fiscal Year 2025 Adopted Budget, the Proposed Thirty-Fourth Five-Year Plan, and the FY 2025 Third Quarter QCMR, as applicable, include a labor reserve for potential future labor cost increases (the “Labor Reserve”). For more information on the City’s labor contracts, see “EXPENDITURES OF THE CITY – Overview of City Employees” herein.

The City’s current projections for the Labor Reserve have been updated to reflect the terms of recent labor agreements and are now estimated to be as follows (as set forth in the Proposed Thirty-Fourth Five-Year Plan and, for Fiscal Year 2025, the FY 2025 Third Quarter QCMR): (i) \$0.0 in Fiscal Year 2025, (ii) \$101.6 million in Fiscal Year 2026, (iii) \$104.6 million in Fiscal Year 2027, (iv) \$104.6 million in Fiscal Year 2028, (v) \$106.6 million in Fiscal Year 2029, and (vi) \$131.4 million in Fiscal Year 2030.

Federal Funding Reserve. For Fiscal Year 2025, the City currently projects \$95.0 million for the Federal Funding Reserve (as set forth in the FY 2025 Third Quarter QCMR) to mitigate possible delays or the termination of any federal funding available to the City.

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

Tax Revenues: In Fiscal Year 2024, roughly 67% of the City’s revenues come from local taxes and approximately 89% of tax revenues come from just four taxes: Wage and Earnings Taxes, Real Estate Taxes, Business Income and Receipts Taxes (“BIRT”), and Real Property Transfer Taxes, with the largest portion of such tax revenues (approximately 45%) coming from the Wage and Earnings Tax (see Table 3 and “REVENUES OF THE CITY – Wage, Earnings, and Net Profits Taxes” herein). Less than 40% of the Wage and Earnings Tax is paid by non-resident workers.

Following the pandemic and as remote work arrangements continue for certain workers, the City continues to closely monitor Wage and Earnings Taxes. Of the City’s workforce, commuters account for less than 40% of all Wage and Earnings Taxes. Non-resident workers are not required to pay this tax when their employer requires them to work from home outside the City. If the region experiences long-term or permanent shifts to required work-from-home policies, changes in consumer preferences, and population shifts, there may be a lasting negative impact on City finances. In the Thirty-Fourth Five-Year Plan, the City assumes the continuation of a permanent reduction in the non-resident tax base of 25% coming out of the pandemic, as a result of remote work arrangements. This 25% loss has already been sustained and is assumed throughout the Thirty-Fourth Five-Year Plan. In Fiscal Year 2024, the non-resident portion of the Wage and Earnings Taxes was approximately 14.6% of General Fund total revenue.

In Fiscal Year 2024, Wage and Earnings Tax collections increased by 6.4% over Fiscal Year 2023. In Fiscal Year 2025, Wage and Earnings Tax collections are projected to increase by 6.1% over Fiscal Year 2024. Wage and Earnings Tax collections for Fiscal Years 2022, 2023 and 2024, and projections for Fiscal Year 2025, exceed the amounts collected in Fiscal Year 2019 (pre-pandemic).

Additionally, the City remains unique among the nation's largest cities in that it imposes a tax on both net income and gross receipts, the Business Income and Receipts Tax, which generated approximately 16.6% of the City's local tax revenue in Fiscal Year 2024. For Fiscal Year 2025, the Business Income and Receipts Tax is projected to generate approximately 15.6% of the City's local tax revenue (based on the FY 2025 Third Quarter QCMR). See "REVENUES OF THE CITY" and Table 3 herein.

High Fixed Costs: The City's high fixed costs consume a significant portion of the City's budget. The largest of such costs is the City's payment to the Municipal Pension Fund. In Fiscal Year 2024, the City's contribution to the Municipal Pension Fund was approximately \$948.7 million, of which the General Fund's share (including the Commonwealth contribution) was \$778.8 million. See Table 29. The Municipal Pension Fund is 65.4% funded on an actuarial basis (as of the July 1, 2024 Valuation (as defined herein)). See "PENSION SYSTEM" and Table 27 herein.

The School District of Philadelphia: While the School District of Philadelphia (the "School District") is an independent governmental entity, the City provides direct financial contributions to the School District. In the Fiscal Year 2024 ACFR, the City reported that its direct contribution to the School District from the General Fund was \$282.1 million. In the Fiscal Year 2025 Adopted Budget, the City's direct contribution to the School District from the General Fund is \$284.1 million (which is unchanged as the current estimate in the FY 2025 Third Quarter QCMR).

In addition to the direct financial contribution noted above, Real Estate Taxes (as defined herein) are divided into two portions – the City Real Estate Tax and the School District Real Estate Tax. Presently, the portions are 44% for the City Real Estate Tax and 56% for the School District Real Estate Tax (such percentages took effect in Fiscal Year 2025).

For more information on the School District, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Local Government Agencies – Mayoral-Appointed or Nominated Agencies – The School District." For more information on Real Estate Taxes and the allocation thereof, see "REVENUES OF THE CITY – Real Property Taxes – Assessment and Collection." For more information on the City's historical contributions to the School District, see "EXPENDITURES OF THE CITY – City Payments to School District" and Table 21 herein.

Investigation of Overspending by the Office of Homeless Services. In Fiscal Year 2021, the City reduced the Office of Homeless Services ("OHS") General Fund appropriations. Some of these reductions were offset by federal CARES Act funds and certain other grant funding. Despite the reduced funding, OHS service demands remained high during this period, which included the height of the COVID-19 pandemic and the emergence of several homeless encampments throughout the City.

From Fiscal Years 2021 through 2024, OHS spent and entered into contractual commitments that exceeded its budgeted authority by an estimated \$15 million. Once such overspending was uncovered, the City referred the matter to the Office of the Inspector General ("OIG") in late 2023.

In April 2024, the OIG released a preliminary report on these OHS budget matters. While the report did not present evidence of criminal wrongdoing or self-enrichment, it illustrated that OHS officials knowingly overspent across multiple fiscal years to meet rising service demand. In particular, OHS (i) encumbered partial amounts on contracts, (ii) paid prior year invoices with current year funds, and (iii) encumbered funds across various fiscal and calendar years, all of which obscured the full picture of contractual costs incurred and contributed to a growing budget gap. These practices by OHS are still under review and it is possible that additional budgetary gaps may be identified.

In Fiscal Year 2024, the City addressed the aforementioned overspending by providing OHS with an additional \$9.6 million through a transfer ordinance. An additional \$4.7 million in prior-year overspending was covered by unspent funds from the Managing Director's Office, which has oversight responsibility for OHS.

The OIG's report included recommendations for additional financial controls and encumbrance oversight to prevent a similar situation from occurring in the future, including (i) strengthening the budget verification process, (ii) imposing stricter encumbrance rules, (iii) collecting and tracking more data from the Finance Payment Verification Unit (part of the Office of the Director of Finance) in order to intervene in a more timely manner should budgetary problems occur, (iv) evaluating the scope of the non-profit contracting exemption and the ability of OHS to contract with non-profit vendors without a competitive process, and (v) restricting the use of local funds and grant funds on a single contract. In connection with (iv), City Council passed a bill to remove the non-profit contracting exemption for OHS and a number of other departments effective in Fiscal Year 2026. The Mayor took no action on the bill and it became law on September 5, 2024. Additional legislation on the non-profit contracting exemption is being considered by City Council.

The City has also engaged an external accounting firm to supplement the OIG's work with a deeper forensic investigation and the results of this review are pending.

Additionally, OHS has engaged a financial consultant upon receipt of the results of the investigations described above to temporarily increase capacity, implement recommendations, and train OHS staff. The City is also considering other actions to address the OIG's recommendations.

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

THE GOVERNMENT OF THE CITY OF PHILADELPHIA

Introduction

Philadelphia is the largest city in the Commonwealth of Pennsylvania, the sixth-largest city in the United States, and the center of the United States' seventh-largest metropolitan statistical area. The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its strength in key industries.

In particular, as one of the country's education centers, the City offers the business community a large and diverse labor pool. The University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, La Salle University, and Community College of Philadelphia are some of the well-known institutions of higher education located in the City. Within the region, there are also other well-known colleges and universities, notably including Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University, among others.

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

Additionally, tourism is important to the City and is driven by the City's extraordinary historic and cultural assets. The City's Historic District includes Independence Hall, the Liberty Bell, Carpenters' Hall, the Betsy Ross House, and Elfreth's Alley, the nation's oldest residential street. The Benjamin Franklin Parkway District (referred to as the "Parkway" in APPENDIX B) includes the Philadelphia Museum of Art, the Barnes Foundation, and the Rodin Museum. The Avenue of the Arts, located along a mile-long section of South Broad Street between City Hall and Washington Avenue, includes the Kimmel Center, the Academy of Music, and other performing arts venues. Philadelphia also hosts all four major sports leagues in a stadium district within city limits.

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

History and Organization

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

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

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

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

Elected and Appointed Officials

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

be nominated by any one party or political body. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller is an independently elected office, with responsibilities derived from the City Charter, various City ordinances, state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards, established by the federal Government Accountability Office (formerly known as the General Accounting Office), and Generally Accepted Auditing Standards, promulgated by the American Institute of Certified Public Accountants (collectively, “Generally Accepted Auditing Standards”).

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

Under the City Charter, the Mayor’s Cabinet consists of the Mayor, the Managing Director, the Director of Finance, the City Solicitor, the Chief Public Safety Director, the Director of Planning and Development, the Director of Commerce, the Director of Labor, and the City Representative. Under the City Charter, the Mayor appoints each of the foregoing, as well as the Director of Aviation. With respect to the City Solicitor and the Chief Public Safety Director, the Mayor appoints an individual to such position, with the advice and consent of a majority of City Council.

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

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

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

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

Cherelle L. Parker, Mayor. On November 7, 2023, Cherelle L. Parker was elected as the City's 100th Mayor and was sworn into office on January 2, 2024. She is the first woman to lead the City and hold the office in 341 years. Mayor Parker is a lifelong Philadelphia resident and a former public school teacher. Elected to the Pennsylvania House of Representatives in 2005, Mayor Parker represented the 200th legislative district for ten years. In 2015, Mayor Parker was elected to serve as a Democratic Philadelphia City Councilmember representing the 9th District. She championed key legislation on pension reform, workforce training and small business supports, and affordable housing during her time in City Council. Building on those legislative measures, Mayor Parker's administration is also focused on a cleaner, greener, safer Philadelphia with access to economic opportunity for all. Mayor Parker holds a Bachelor of Science in English Education from Lincoln University and a Master of Public Administration from the University of Pennsylvania.

Tiffany W. Thurman, Chief of Staff. Tiffany W. Thurman was appointed Chief of Staff effective January 2, 2024. Previously, she served as Senior Vice President for Government and Community Affairs for the Greater Philadelphia YMCA, the Pennsylvania Local Government Lead at Accenture, and Chief of Staff within the Philadelphia Department of Parks and Recreation. She was also previously appointed Executive Director of the Philadelphia Delegation to the House of Representatives. She has a Master of Public Administration from the University of Pennsylvania and a bachelor's degree from Temple University.

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

Jacqueline Dunn, City Treasurer. On February 11, 2021, Ms. Dunn was appointed City Treasurer. Prior to such appointment, Ms. Dunn served as Acting City Treasurer beginning September 25, 2020, and prior to that, she served as Deputy City Treasurer beginning July 2019. As City Treasurer, Ms. Dunn (i) oversees the issuance of all notes and bonds on behalf of the City's General Fund and Enterprise Funds used to finance capital projects, (ii) manages cash collections and cash resources in the City Treasury, and (iii) serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury. Ms. Dunn also serves as the Director of Finance's designee on the Philadelphia Board of Pensions and Retirement and as a board member for the Philadelphia Municipal

Authority (“PMA”). In 2014, Ms. Dunn joined the City as an Assistant Finance Director in the Finance Department. In 2016, she was appointed Chief of Staff to the Director of Finance. Prior to joining the City, Ms. Dunn worked for Public Financial Management and the Annenberg Public Policy Center. She has a master’s degree in Governmental Administration and a bachelor’s degree in Political Science, both from the University of Pennsylvania.

Government Services

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

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

Local Government Agencies

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

Mayoral-Appointed or Nominated Agencies

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

Philadelphia Municipal Authority. PMA (formerly the Equipment Leasing Authority of Philadelphia) was originally established for the purpose of buying equipment and vehicles to be leased to

the City. PMA's powers have been expanded to include any project authorized under the Municipality Authorities Act that is specifically authorized by ordinance of City Council. PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

Philadelphia Energy Authority. The Philadelphia Energy Authority ("PEA") was established by the City and incorporated in 2011. PEA has all powers necessary or appropriate to carry out and effectuate its energy-related purposes, including, among other things, the powers to acquire, construct, finance, improve, maintain and operate projects. PEA is authorized to participate in projects on behalf of the City, other government agencies, institutions and businesses. PEA is governed by a seven-member board appointed by City Council from five nominations made by the Mayor and two nominations from City Council.

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

In 2019, the PRA combined operations under the Philadelphia Housing Development Corporation to achieve certain administrative and programmatic efficiencies. Other than such efficiencies, PRA remains independent in all other respects.

Philadelphia Land Bank. The Philadelphia Land Bank (the "PLB") is an independent agency formed under the authority of City ordinance and Pennsylvania law to return vacant and tax delinquent properties to productive reuse. The PLB has an 11-member board of directors, of which five are appointed by the Mayor and five are appointed by City Council. The final board member is appointed by a majority vote of the other board members.

In 2019, the PLB combined operations under the Philadelphia Housing Development Corporation to achieve certain administrative and programmatic efficiencies. Other than such efficiencies, PLB remains independent in all other respects. For more information on the PLB, see APPENDIX B – "ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – City and Quasi-City Economic Development Agencies and Related Programs – Philadelphia Land Bank."

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

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

for certain colleges and universities and other health care facilities and nursing homes. The Hospitals Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

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

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

Of the 15 members of the board of the Convention Center Authority, two are appointed by the Mayor and one by each of the President and Minority Leader of City Council. The Director of Finance is an ex-officio member of the Board with no voting rights. The Commonwealth, the City, and the Convention Center Authority have entered into an operating agreement with respect to the operation and financing of the Pennsylvania Convention Center. ASM Global manages and operates the Pennsylvania Convention Center. For more information on the Convention Center Authority, see “EXPENDITURES OF THE CITY – City Payments to Convention Center Authority.”

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

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

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

In the Fiscal Year 2024 ACFR, the City reported that its direct contribution to the School District from the General Fund was \$282.1 million. In the Fiscal Year 2025 Adopted Budget, the City’s direct contribution to the School District from the General Fund is \$284.1 million (which is unchanged as the

current estimate in the FY 2025 Third Quarter QCMR). Such amounts do not include funding from taxes levied by the School District and authorized by City Council. For more information on the City's historical contributions to the School District, see "EXPENDITURES OF THE CITY – City Payments to School District" and Table 21.

Non-Mayoral-Appointed or Nominated Agencies

PICA. PICA was created by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act") in 1991 to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. The Governor of Pennsylvania (the "Governor"), the President pro tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives, and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member of PICA's board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA's board with no voting rights.

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

Under the PICA Act, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports, each as further described below under "DISCUSSION OF FINANCIAL OPERATIONS – Five-Year Plans of the City" and "– Quarterly Reporting to PICA."

On July 7, 2022, an amendment to the PICA Act was signed into law by the Governor, which, among other things, (i) extends the term of existence of PICA until the later of January 2, 2047 or one year after all its liabilities are met or, in the case of PICA Bonds, one year after provision for such payment shall have been made or provided for in the applicable bond indenture; (ii) continues all of the financial oversight and reporting requirements of the PICA Act for the life of PICA (regardless of whether PICA Bonds are outstanding); (iii) permits on a limited basis during certain recurring three-year periods on a decennial basis, at the request of the City, the issuance of PICA Bonds for capital projects of the City; and (iv) continues the authorization and dedication of the PICA Tax for so long as PICA remains in existence (regardless of whether any PICA Bonds are outstanding). For more information on PICA Bonds, see "DEBT OF THE CITY – PICA Bonds." In June 2023, City Council passed, and the Mayor signed, an amendment to the PICA Tax ordinance to extend its duration in response to the continued authorization of the PICA Tax pursuant to the amendments to the PICA Act. In addition, the City and PICA approved and entered into a new intergovernmental cooperation agreement (the "2023 PICA Agreement") that reflects and implements the PICA Act as amended, and replaces the expired 1992 PICA Agreement.

The PICA Act and the 2023 PICA Agreement provide PICA with certain financial and oversight functions. PICA has the power to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve the five-year financial plans prepared by the City, and to certify non-compliance by the City with the then-existing five-year plan. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place or if the City has failed to file mandatory revisions to an approved five-year plan. Under the PICA Act, any such certification of non-compliance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements, and payments payable to the City by

the Commonwealth, including payment of the portion of the PICA Tax, as further described under “DEBT OF THE CITY – PICA Bonds” below, otherwise payable to the City). Such withheld funds are held in escrow by the Commonwealth or in the applicable City account until such non-compliance is cured. A majority vote of PICA will determine when the conditions that caused the City to be certified as non-compliant have ceased to exist. Following such vote, PICA notifies the Secretary of the Budget and the withheld funds are released (together with all interest and income earned thereon during the period held in escrow).

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

Cybersecurity

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

The City’s Office of Innovation and Technology works to protect the City from cyber threats by adopting new technology and ensuring City systems and resident data are protected. The Office of Innovation and Technology follows industry best practices, develops City-wide security policies, provides regular security training to all City employee users, and uses security tools to mitigate, prevent, deter, and respond to incidents if and when they occur. Additionally, to identify potential vulnerabilities and proactively mitigate them, the City organizes (i) ongoing vulnerability and compliance scanning of City systems, (ii) annual, and/or as major changes occur, penetration tests of City systems and supporting infrastructure, and (iii) ongoing audit and log monitoring of systems and users. These tests are performed by both the Office of Innovation and Technology, Departments, and third parties.

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

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

Climate Change

The City's Office of Sustainability ("OOS") works with partners around the City, both public and private, to educate and prepare the City for climate change, among other things. OOS, in coordination with departments across the City, is responsible for implementing "Growing Stronger: Toward a Climate-Ready Philadelphia," the City's first climate adaptation plan, which identifies climate vulnerability and risk and outlines a variety of initiatives to prepare the City for future climate-related challenges. OOS is in the process of updating the City's Resilience Plan and a citywide stakeholder engagement process was started in 2025.

Planning for the potential impacts of climate change in the City is challenging. The City's climate is variable and projections of future conditions range significantly depending on the emissions scenarios. However, regardless of emissions scenario, the models agree on the direction of change. Climate change impacts include rising temperatures (increasing average temperatures and extreme heat in the form of heat waves); air quality issues, which are exacerbated by temperature increases and sometimes caused by wildfires outside of the City; increased heavy precipitation events (rain or snow); rising sea levels (likely ~1.25 feet by 2050 and between three to-four feet by 2100); and storm surges and extreme wind from more intense hurricanes, tropical storms and Nor'easters.

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

The sea level rising is a particularly important risk for the City, as rising seas affect water levels in the tidal rivers and creeks bordering the City, such as the Delaware and Schuylkill Rivers and the Darby-Cobbs Creek. Higher sea levels will increase the depth and extent of flooding in and around the City from storm surges and will raise groundwater levels. Low-lying areas already experience localized flooding during heavy storm events, and both municipal infrastructure and private development exist along Philadelphia's tidal rivers and creeks. Because of the City's topography and its location next to tidal rivers, many City facilities and other properties are vulnerable to sea level rise, even under conservative (low) sea level rise scenarios. For example, Philadelphia International Airport (PHL) and at least a dozen other City facilities would be exposed to flooding with two feet of sea level rise, a scenario that is likely to be exceeded this century. At under two feet of sea level rise, only one City facility (Fort Mifflin) is highly vulnerable to permanent inundation (i.e., it will flood within the tidal cycle in the absence of storms), but at under four feet of sea level rise, 19 facilities are highly vulnerable and another 12 City facilities are moderately vulnerable to permanent inundation. Hundreds of additional facilities (both City and private) are highly vulnerable to both riverine flooding and the combination of sea level rise and storm surge. Many neighborhoods and City-owned assets and infrastructure are also vulnerable to inland flooding (e.g., pluvial, urban or rainfall-driven flooding), which can occur far away from water bodies and is not included in FEMA's flood maps.

As an example of the City's possible susceptibility to flooding from major storms or rising sea levels, on September 1, 2021, remnants of Hurricane Ida passed through the City and surrounding areas causing heavy rainfall, major flooding, and numerous tornadoes. The Schuylkill River rose to record

levels, or near record levels, in various areas and caused flooding and damage throughout parts of the City. It was estimated that the damages from that single event are over \$1.3 billion for Philadelphia alone. The City received federal relief funding and grants, including \$163 million in grant funding from the United States Department of Housing and Urban Development (HUD), and received other aid from the Commonwealth, to offset costs incurred in addressing the damages from the storm.

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

Climate change is increasing the intensity of extreme storms, and it is estimated that just one severe hurricane could cause more than \$2 billion in damage across the City. The City expects to see more frequent extreme storms with higher winds and more flooding, due in part to sea level rise combined with heavy rains and tropical cyclones. Depending on severity, each of these storms could cause an estimated \$20 million to \$900 million in damages in the City. In connection with such damages, the City could seek Commonwealth and federal funding to alleviate the burden of any disaster-related costs if any such funding becomes available. No assurances can be given that the City would receive any such requested funding if available.

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

As the effects of climate change continue taking shape in the City, annual costs related thereto are expected to include a variety of increases ranging from energy and maintenance costs to the increasing costs of continuing to provide services to protective measures like a levee for flood mitigation. For example, the City expects climate change to (i) increase annual electricity costs due to increased demand for air conditioning; (ii) create additional roadway maintenance costs from precipitation, freeze-thaw cycles, and high temperatures; and (iii) increase the annual cost of providing heat emergency helplines to advise callers about how to avoid heat stress and refer those in need of help to emergency services. A recent study from First Street estimated that in 30 years Philadelphia will need to use air conditioning an additional 11 days out of the year compared to 2024, increasing the City's electricity usage by 15%.

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

In 2016, OOS, along with a cross-departmental Climate Adaptation Working Group, issued *Growing Stronger: Toward a Climate-Ready Philadelphia* to (i) assess vulnerabilities and preparation opportunities for municipal government; (ii) identify low-barrier and high-impact internal actions that can be taken to reduce risks and decrease stressors on City infrastructure services; and (iii) guide proactive projects with benefits beyond municipal operations. The Office of Sustainability is actively working on an update to the City's Climate Resilience Plan and is developing climate services and tools to empower city staff to plan for the changes the City faces. The City expects to engage in an equitable citywide public process to support the plan, with the completion of the plan slated for 2027. Additionally, the

City's All-Hazard Mitigation Plan update and the Comprehensive Plan update are both underway and will heavily feature actions and priority investments to address climate change. In recent years several important interagency working groups formed to ensure alignment and coordination on key climate hazards, including the Flood Risk Management Task Force, the Excessive Heat Steering Committee, and the Environmental Justice and Climate Resilience Committee.

In 2024, climate resilience was better embedded in the City's Capital Budgeting process and each capital request that met specific criteria were given a vulnerability score based on their exposure to flooding, wildfire, wind, and extreme heat. Existing risk information (e.g. FEMA flood maps) was combined with additional sources, like risk information from First Street Technology, Inc., which includes inland flooding, to evaluate exposure. OOS is also nearly complete with an updated citywide climate vulnerability assessment focused primarily on flooding and extreme heat that evaluates municipal vulnerability but also identifies community vulnerability and uses various indicators to identify vulnerable populations.

In addition to participating in planning efforts, City departments are implementing projects that aim to increase resilience on a broad array of climate issues. The Department of Public Property ensures that emergency generators in City-maintained facilities are well maintained and fueled, which is intended to allow other City departments to continue providing services during emergency situations. During heat emergencies, the Department of Public Health and the Office of Emergency Management ensure communication among City agencies, deploy environmental health teams into the community, and operate cooling centers in coordination with the Philadelphia Free Library and Philadelphia Parks and Recreation. Philadelphia Parks and Recreation also developed and implements the Philly Tree Plan with the newly formed Philadelphia Tree Coalition and works with citizen scientists to identify forest restoration practices suitable for the City's changing climate. The Philadelphia Water Department has an award-winning Climate Change Adaptation Program and adopted Climate-Resilient Planning and Design Guidance in 2022; this guidance was updated in 2024. Regarding broader development across the City, the Philadelphia City Planning Commission (the "Planning Commission") requires new facilities located in flood zones to be raised 18 inches above the Federal Emergency Management Agency base flood elevation, and the Philadelphia Water Department (the "Water Department") promotes green storm water infrastructure, such as storm water basins, permeable paving, rain gardens, and green gutters, as a measure to reduce combined sewer overflows which also has a co-benefit of shaving the peak from extreme precipitation events and potentially helping with localized inland flooding.

CITY FINANCES AND FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the Fiscal Year 2024 ACFR and notes therein. The Fiscal Year 2024 ACFR was prepared by the Office of the Director of Finance in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units and audited by the City Controller under Generally Accepted Auditing Standards.

General

Governmental funds account for their activities using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal

period. Expenditures are generally recorded when a liability is incurred, as in the case of full accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due; however, those expenditures may be accrued if they are to be liquidated with available resources.

Imposed non-exchange revenues, such as Real Estate Tax, are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as Wage, BIRT, Net Profits and Earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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

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

The City reports on the following fiduciary funds:

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.
- The PGW Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its pension plan. For more information on the PGW Pension Plan (as defined herein), see "PGW PENSION PLAN."
- The Departmental Custodial Accounts account for funds held in custody by various departments of the City.

The City reports on the following major proprietary funds:

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

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

Current City Disclosure Practices

It is the City's practice to file its ACFR, which contains the audited combined financial statements of the City, in addition to certain other information, such as the City's bond ratings and information about upcoming debt issuances, with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such information. For bonds issued in calendar year 2015 and thereafter, the annual filing deadline is February 28; for bonds issued prior to calendar year 2015, the annual filing deadline is 240 days after the end of the respective Fiscal Year, being February 25. The Fiscal Year 2024 ACFR was filed with the MSRB on February 25, 2025, through the MSRB's Electronic Municipal Market Access ("EMMA") system. The Fiscal Year 2024 ACFR is attached hereto as APPENDIX C.

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

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the Fiscal Year 2024 ACFR. The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the basic financial statements of the City in the Fiscal Year 2024 ACFR.

Budgetary Accounting Practices

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

The operating funds of the City, consisting of the General Fund, twelve (12) 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, Acute Care Hospital Assessment, Budget Stabilization Reserve Fund, Housing Trust, Demolition, and Transportation) and two

Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: (i) personal services; (ii) purchase of services; (iii) materials and supplies; (iv) equipment; (v) contributions, indemnities, and taxes; (vi) debt service; (vii) payments to other funds; and (viii) advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have City Council approval. Appropriations that are not expended or encumbered at Fiscal Year-end are lapsed.

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

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

DISCUSSION OF FINANCIAL OPERATIONS

Principal Operations

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

Fund Accounting

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

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

information presented for the governmental funds is useful in evaluating the City's short-term financing requirements.

The City maintains 23 individual governmental funds. The City's ACFRs, including the Fiscal Year 2024 ACFR, present data separately for the General Fund, Grants Revenue Fund, and Health Choices Behavioral Health Fund, which are considered to be major funds. Data for the remaining 20 funds are combined into a single aggregated presentation.

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

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's ACFRs, including the Fiscal Year 2024 ACFR, as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

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

Budget Procedure

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

The City Charter provides that, at least 30 days before the end of the Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing Fiscal Years. If the Mayor disapproves the bills, they must be returned to City Council with the reasons for disapproval at the first meeting thereof held not less than ten days after receipt of such bills. If the Mayor does not return the bills within the time required, they become law without the Mayor's approval. If City Council passes the bills by a vote of two-thirds of all of its members within seven days after the bills have been returned with the Mayor's disapproval, they become law without the Mayor's approval. While the City Charter requires that City Council adopt the ordinances for the operating and capital budgets at least 30 days before the end of the Fiscal Year, in practice, such ordinances are often adopted after such deadline, but before the end of such Fiscal Year. For example, the proposed Fiscal Year 2025 operating budget was submitted by the Mayor to City Council on March 14, 2024, approved by City Council on June 13, 2024, and signed by the Mayor on June 14, 2024. There is no practical consequence to adopting the budget ordinances after the deadline in the City Charter, but before the end of the Fiscal Year.

The capital program is prepared annually by the Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, federal, and private) estimated to be required to finance each project. The capital improvement plans for the Water Department and the Department of Aviation are included in the City's capital program. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with the Mayor's recommendation thereon. The Capital Program ordinance for Fiscal Years 2025-2030, as amended (the "Fiscal Year 2025-2030 Amended Capital Program") was approved by City Council on June 13, 2024 and signed by the Mayor on June 14, 2024 (see Table 48).

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

For more information on the City's budgets and five-year plans, see "– Current Financial Information" and the text following Table 2. For more information on the City's capital program, see "CITY CAPITAL PROGRAM" herein.

Budget Stabilization Reserve Fund

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

In February 2023, City Council passed a resolution to amend the City Charter to require larger contributions to the Budget Stabilization Reserve Fund in years where the projected General Fund revenues at the end of the current Fiscal Year equal or exceed certain percentages. The amendment also increases the maximum contribution to the Budget Stabilization Reserve Fund from 5.0% to 17.0%. The proposal was part of a ballot measure that was approved by City voters in May 2023. Under the amendment, the schedule of contributions to the Budget Stabilization Reserve Fund is as follows: (i) less than 3.0% of projected General Fund revenues at the end of the then current Fiscal Year – no required contribution; (ii) 3.0% or more, but less than 5.0% of projected General Fund revenues at the end of the then current Fiscal Year – a contribution of 0.75% of projected unrestricted General Fund revenues for the upcoming Fiscal Year; (iii) 5.0% or more, but less than 8.0% of projected General Fund revenues at the end of the then current Fiscal Year – a contribution of 1.0% of projected unrestricted General Fund revenues for the upcoming Fiscal Year; and (iv) 8.0% or more, but less than 17.0% of projected General Fund revenues at the end of the then current Fiscal Year – the amount that exceeds such 8.0% or 1.0% of projected unrestricted General Fund revenues for the upcoming Fiscal Year, whichever is greater. After 17%, any extra funds in the General Fund are to remain there as unrestricted fund balance. Such amended provisions became effective for Fiscal Year 2025.

Withdrawals from the Budget Stabilization Reserve Fund are permitted only upon (i) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve Fund and only for the purposes set forth in such transfer ordinance and (ii) either (1) a certification by the Director of Finance

that General Fund revenues actually received by the City during the prior Fiscal Year were at least one percent less than the General Fund revenues set forth in the Mayor's estimate of receipts, or (2) a certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents, and that it would be fiscally imprudent to seek emergency appropriations pursuant to the City Charter. Any such certification must be approved either by a resolution adopted by two-thirds of all of the members of City Council or an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City.

Pursuant to the adopted budget for Fiscal Year 2020, the City made an initial deposit of \$34.3 million to the Budget Stabilization Reserve Fund, which was the first ever deposit to such reserve. Pursuant to the adopted budget for Fiscal Year 2021, the City drew down on such funds and redirected them to spending.

There were no payments to the Budget Stabilization Reserve Fund in Fiscal Years 2021 or 2022. In Fiscal Year 2023, \$65.1 million was deposited into the Budget Stabilization Reserve Fund. In Fiscal Year 2024, \$42.3 million was deposited into the Budget Stabilization Reserve Fund. As of June 30, 2024, the total in the Budget Stabilization Reserve Fund was \$112.8 million (including interest earnings). In Fiscal Year 2025, \$58.3 million was deposited into the Budget Stabilization Reserve Fund.

In the Proposed Thirty-Fourth Five-Year Plan, the City projects payments to the Budget Stabilization Reserve Fund in Fiscal Years 2026 and 2027 in the amounts of \$58.9 million and \$59.8 million, respectively. There can be no assurance that such payments to the Budget Stabilization Reserve Fund will occur. The Proposed Thirty-Fourth Five-Year Plan does not include any projected payments to the Budget Stabilization Reserve Fund in Fiscal Years 2028-2030. The Proposed Thirty-Fourth Five-Year Plan does not include any withdrawals from the Budget Stabilization Reserve Fund. The foregoing projections reflect the approval of the ballot measure amending the Budget Stabilization Reserve Fund as described above.

Annual Financial Reports

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

The Annual Financial Report for Fiscal Year 2024 was released on October 28, 2024 (the "FY 2024 AFR (Unaudited)"). See "CITY FINANCES AND FINANCIAL PROCEDURES – Current City Disclosure Practices."

Five-Year Plans of the City

The PICA Act requires the City to annually prepare a financial plan that includes projected revenues and expenditures of the principal operating funds of the City for five Fiscal Years consisting of the current Fiscal Year and the subsequent four Fiscal Years. Each five-year plan, which must be approved by PICA, is required, among other things, to eliminate any projected deficits, balance the Fiscal Year budgets, and provide procedures to avoid fiscal emergencies. Under the PICA Act, each five-year plan is required to be submitted at least 100 days prior to the beginning of the next Fiscal Year or on such other date as PICA may approve upon the request of the City. It is the City's practice to submit its five-year plans to PICA after City Council approves, and the Mayor signs, the operating budget ordinance for the next Fiscal Year, which is typically after the 100-day deadline. For example, the Thirty-Third Five-Year Plan was submitted to PICA on June 25, 2024, after City Council approved, and the Mayor signed, the Fiscal Year 2025 Adopted Budget. PICA approved the Thirty-Third Five-Year Plan at a meeting on July 25, 2024. See “– Current Financial Information” and the text following Table 2.

Quarterly Reporting to PICA

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

Under the 2023 PICA Agreement, a “variance” is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund (i.e., a principal operating fund) of more than 5% of the revenues budgeted for such fund for that Fiscal Year is reasonably projected to occur, such projection to be calculated from the beginning of the Fiscal Year for the entire Fiscal Year, or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95% of the net cash flows of the City for such covered fund for that Fiscal Year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the Fiscal Year for the entire Fiscal Year.

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

A failure by the City to explain or remedy a variance would, upon certification by PICA, require the Secretary of the Budget of the Commonwealth to withhold funds due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payments payable to the City by the Commonwealth, including payment of the portion of the PICA Tax, as further described under “DEBT OF THE CITY – PICA Bonds” below, otherwise payable to the City). The City uses its Quarterly City Managers Reports to satisfy the quarterly reporting requirement to PICA. Such reports are released within 45 days following the end of the applicable quarter and the most recent versions of such reports are available on the City's Investor Website. The most recent Quarterly City Managers Report is the report for the period ending March 31, 2025, which was released on May 15,

2025 (the “FY 2025 Third Quarter QCMR”). The next Quarterly City Managers Report is the report for the period ending June 30, 2025, and it is expected to be released on or about August 15, 2025.

Summary of Operations

Table 1 presents the summary of operations for the General Fund for Fiscal Years 2021-2024 and budgeted amounts and current estimates for Fiscal Year 2025. For a description of the legally enacted basis on which the City’s budgetary process accounts for certain transactions, see “CITY FINANCES AND FINANCIAL PROCEDURES – Budgetary Accounting Practices.” “Current Estimate,” as used in the tables and text below, refers (except as otherwise indicated) to the most recently revised estimates for Fiscal Year 2025, which were released by the City on May 15, 2025, as part of the FY 2025 Third Quarter QCMR, unless otherwise noted herein.

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Table 1
General Fund – Summary of Operations (Legal Basis)
Fiscal Years 2021-2024 (Actual) and 2025 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD)^{(1), (2)}

| | Actual 2021 | Actual 2022 | Actual 2023 | Actual 2024 | Adopted Budget 2025 (June 14, 2024) | Current Estimate 2025 (May 15, 2025) |
|---|---------------------------|----------------------------|----------------------------|-------------------------------|--|---|
| Revenues | | | | | | |
| Real Property Taxes | \$723.3 | \$700.6 | \$809.6 | \$838.1 | \$925.0 | \$930.1 |
| Wage and Earnings Tax | 1,450.7 | 1,653.9 | 1,732.8 | 1,842.9 | 1,930.6 | 1,954.9 |
| Net Profits Tax | 44.4 | 27.3 | 39.0 | 42.6 | 45.2 | 43.6 |
| Business Income and Receipts Tax | 541.6 | 749.9 | 673.3 | 679.8 | 616.7 | 679.8 |
| Sales Tax ⁽³⁾ | 230.4 | 277.7 | 302.2 | 300.0 | 316.9 | 307.4 |
| Other Taxes ⁽⁴⁾ | 363.3 | 654.6 | 524.0 | 315.0 | 355.0 | 368.2 |
| Philadelphia Beverage Tax ⁽⁵⁾ | <u>70.2</u> | <u>75.4</u> | <u>73.4</u> | <u>69.6</u> | <u>71.2</u> | <u>65.7</u> |
| Total Taxes | <u>3,423.9</u> | <u>4,139.4</u> | <u>4,154.3</u> | <u>4,088.0</u> | <u>4,260.5</u> | <u>4,349.7</u> |
| Locally Generated Non-Tax Revenue | 344.2 | 396.4 | 415.1 | 456.3 | 391.8 | 478.3 |
| Revenue from Other Governments | | | | | | |
| Net PICA Taxes Remitted to the City ⁽⁶⁾ | 509.0 | 555.1 | 674.3 | 705.5 | 739.4 | 745.1 |
| Other Revenue from Other Governments ⁽⁷⁾ | <u>327.6</u> | <u>376.1</u> | <u>422.3</u> | <u>359.0</u> | <u>398.4</u> | <u>434.8</u> |
| Total Revenue from Other Governments | <u>836.6</u> | <u>931.2</u> | <u>1,096.6</u> | <u>1,064.5</u> | <u>1,137.8</u> | <u>1,179.9</u> |
| Receipts from Other City Funds | <u>87.8⁽⁸⁾</u> | <u>300.6⁽⁹⁾</u> | <u>381.0⁽⁹⁾</u> | <u>454.8⁽⁹⁾</u> | <u>481.2⁽⁹⁾</u> | <u>485.0⁽⁹⁾</u> |
| Total Revenue | <u>4,692.5</u> | <u>5,767.5</u> | <u>6,047.0</u> | <u>6,063.6</u> | <u>6,271.4</u> | <u>6,492.8</u> |
| Obligations/Appropriations | | | | | | |
| Personal Services | 1,811.4 | 1,890.7 | 1,976.6 | 2,038.4 | 2,279.1 | 2,302.4 |
| Purchase of Services ⁽¹⁰⁾ | 941.4 | 1,014.4 | 1,207.3 | 1,360.4 | 1,422.3 | 1,488.1 |
| Materials, Supplies and Equipment | 90.9 | 125.6 | 167.7 | 189.6 | 148.3 | 183.0 |
| Employee Benefits | 1,275.1 ⁽¹¹⁾ | 1,690.0 ⁽¹¹⁾ | 1,625.0 ⁽¹¹⁾ | 1,663.4 ⁽¹¹⁾ | 1,677.1 ⁽¹¹⁾ | 1,656.4 ⁽¹¹⁾ |
| Indemnities, Contributions, and Refunds ⁽¹²⁾ | 368.0 | 384.9 | 480.8 | 452.5 | 432.7 | 484.1 |
| City Debt Service ⁽¹³⁾ | 178.5 | 188.7 | 190.5 | 189.1 | 234.7 | 230.4 |
| Payments to Other City Funds | 52.3 | 44.1 | 205.0 | 198.9 | 71.5 | 118.3 |
| Advances & Miscellaneous Payments ⁽¹⁴⁾ | 0.0 | 0.0 | 0.0 | 0.0 | 43.5 ⁽¹⁵⁾ | 95.0 ⁽¹⁵⁾ |
| Payment to Budget Stabilization Reserve Fund | <u>0.0</u> | <u>0.0</u> | <u>65.1</u> | <u>42.3</u> | <u>58.3</u> | <u>58.3⁽¹⁶⁾</u> |
| Total Obligations/Appropriations | <u>4,717.8</u> | <u>5,338.5</u> | <u>5,918.4</u> | <u>6,134.7</u> | <u>6,367.5</u> | <u>6,615.9</u> |
| Operating Surplus (Deficit) for the Year | (25.3) | 429.0 | 128.6 | (71.2) | (96.1) | (123.0) |
| Net Adjustments – Prior Year ⁽¹⁷⁾ | 33.1 | 51.6 | 73.8 | 32.5 | 36.5 | 62.3 |
| Cumulative Fund Balance Prior Year | <u>290.7</u> | <u>298.5</u> | <u>779.1</u> | <u>981.6</u> | <u>628.1⁽¹⁸⁾</u> | <u>942.9⁽¹⁸⁾</u> |
| Cumulative Adjusted Year End Fund Balance (Deficit) | <u>\$298.5</u> | <u>\$779.1</u> | <u>\$981.6</u> | <u>\$942.9⁽¹⁸⁾</u> | <u>\$568.5</u> | <u>\$882.1</u> |

⁽¹⁾ Sources: For Fiscal Years 2021-2024, the City's ACFRs for such Fiscal Years. For Fiscal Year 2025, the Fiscal Year 2025 Adopted Budget and the FY 2025 Third Quarter QCMR, as applicable.

⁽²⁾ Figures may not sum due to rounding.

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

⁽⁴⁾ Includes Amusement Tax, Real Property Transfer Tax, Parking Tax, Smokeless Tobacco Tax and miscellaneous taxes. Starting in Fiscal Year 2024, Parking Tax revenues are no longer part of the General Fund. Such revenues have been reassigned to the Transportation Fund, which is accounted for as a special revenue fund.

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

⁽⁶⁾ For a detailed breakdown of "Net PICA Taxes Remitted to the City," see Table 43. Such figures reflect revenues received by the City from the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA Bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. There are no PICA Bonds outstanding as of April 30, 2025 and no current debt service payments. See "DEBT OF THE CITY – PICA Bonds."

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

⁽⁸⁾ In Fiscal Year 2020, the City made an initial deposit of \$34.3 million to the Budget Stabilization Reserve Fund. In Fiscal Year 2021, the City drew down on such funds and redirected them to spending. For Fiscal Year 2021, such funds are shown as revenue in "Revenues from Other Funds of City."

⁽⁹⁾ In Fiscal Year 2022, the City included approximately \$250 million in federal COVID-19 relief funding from the American Rescue Plan. In Fiscal Year 2023, the City included approximately \$335 million in federal COVID-19 relief funding from the American Rescue Plan. In Fiscal Year 2024 Adopted Budget, the City includes approximately \$391 million in federal COVID-19 relief funding from the American Rescue Plan, which amount remains unchanged in the Fiscal Year 2024 Current Estimate. In the Fiscal Year 2025 Adopted Budget, the City includes approximately \$419 million in federal COVID-19 relief funding from the American Rescue Plan (representing the final draw down of American Rescue Plan funds).

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

⁽¹¹⁾ For Fiscal Year 2021, includes \$55.2 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2022, includes \$78.8 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2023, includes \$92.1 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2024 (Unaudited Actual), assumes \$90.0 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2025 (Adopted Budget), assumes \$98.5 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2025 (Current Estimate), assumes \$93.7 million from such tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

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

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

⁽¹⁴⁾ Advances & Miscellaneous Payments includes certain budgeted reserves for a given Fiscal Year. Any portion of such reserves that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

⁽¹⁵⁾ For Fiscal Year 2025 (Adopted Budget), includes \$43.5 million in the Labor Reserve. For Fiscal Year 2025 (Current Estimate), includes \$0.0 in the Labor Reserve and \$95.0 million in the Federal Funding Reserve.

⁽¹⁶⁾ Deposit made in September 2024.

⁽¹⁷⁾ "Net Adjustments – Prior Year" includes the cancellation of commitments from previous Fiscal Years during the current Fiscal Year. Such figure for Fiscal Year 2021 includes a \$22 million contribution to the Municipal Pension Fund and the liquidation of \$47 million of pay-as-you-go capital encumbrances, each of which was obligated in Fiscal Year 2020.

⁽¹⁸⁾ In its Fiscal Year 2025 Adopted Budget, the City projected that Fiscal Year 2024 would end with a General Fund balance of \$628.1 million. In the Fiscal Year 2024 ACFR, the City reported that Fiscal Year 2024 ended with a General Fund balance of \$942.9 million. Such number has been included as the "Prior Year Fund Balance" in the FY 2025 Third Quarter QCMR.

Current Financial Information

Table 2 below shows General Fund balances for Fiscal Years 2023 and 2024 and budgeted amounts and current estimates for Fiscal Year 2025.

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

| | Fiscal Year 2023 Actual ⁽²⁾ (June 30, 2023) | Fiscal Year 2024 Actual ⁽²⁾ (June 30, 2024) | Fiscal Year 2025 Adopted Budget ⁽²⁾ (June 14, 2024) | Fiscal Year 2025 Current Estimate ⁽²⁾ (May 15, 2025) |
|--|--|--|--|---|
| <u>REVENUES</u> | | | | |
| Taxes | \$4,154,299 ⁽³⁾ | \$4,087,950 ⁽³⁾ | \$4,260,467 ⁽³⁾ | \$4,349,663 ⁽³⁾ |
| Locally Generated Non – Tax Revenues | 415,117 | 456,326 | 391,844 | 478,252 |
| Revenue from Other Governments | 1,096,581 | 1,064,521 | 1,137,828 | 1,179,945 |
| Revenues from Other Funds of City | 381,017 ⁽⁴⁾ | 454,778 ⁽⁴⁾ | 481,223 ⁽⁴⁾ | 484,966 ⁽⁴⁾ |
| <u>Total Revenue</u> | <u>\$6,047,014</u> | <u>\$6,063,575</u> | <u>\$6,271,362</u> | <u>\$6,492,826</u> |
| <u>OBLIGATIONS / APPROPRIATIONS</u> | | | | |
| Personal Services | \$1,976,579 | \$2,038,411 | \$2,279,091 | \$2,302,352 |
| Personal Services – Employee Benefits | 1,624,963 ⁽⁵⁾ | 1,663,428 ⁽⁵⁾ | 1,677,121 ⁽⁵⁾ | 1,656,373 ⁽⁵⁾ |
| Purchase of Services ⁽⁶⁾ | 1,207,275 | 1,360,420 | 1,422,267 | 1,488,088 |
| Materials, Supplies, and Equipment | 167,744 | 189,588 | 148,326 | 182,963 |
| Contributions, Indemnities, and Taxes | 480,792 | 452,529 | 432,724 | 484,060 |
| Debt Service ⁽⁷⁾ | 190,496 | 189,138 | 234,667 | 230,417 |
| Payments to Other Funds | 205,404 | 198,960 | 71,491 | 118,313 |
| Advances & Miscellaneous Payments ⁽⁸⁾ | 0 | 0 | 43,505 ⁽⁹⁾ | 95,000 ⁽⁹⁾ |
| Payment to Budget Stabilization Reserve Fund | 65,128 | 42,261 | 58,291 | 58,291 ⁽¹⁰⁾ |
| <u>Total Obligations / Appropriations</u> | <u>\$5,918,381</u> | <u>\$6,134,735</u> | <u>\$6,367,483</u> | <u>\$6,615,857</u> |
| <u>Operating Surplus (Deficit)</u> | <u>128,633</u> | <u>(71,160)</u> | <u>(96,121)</u> | <u>(123,031)</u> |
| <u>OPERATIONS IN RESPECT TO</u> | | | | |
| <u>PRIOR FISCAL YEARS</u> | | | | |
| Net Adjustments – Prior Years ⁽¹¹⁾ | 73,795 | 32,488 | 36,500 | 62,250 |
| Operating Surplus/(Deficit) & Prior Year Adj. | 202,428 | (38,672) | (59,621) | (60,781) |
| Prior Year Fund Balance | 779,144 | 981,572 | 628,098 ⁽¹²⁾ | 942,900 ⁽¹²⁾ |
| <u>Year End Fund Balance</u> | <u>\$981,572</u> | <u>\$942,900⁽¹²⁾</u> | <u>\$568,477</u> | <u>\$882,119</u> |

⁽¹⁾ Figures may not sum due to rounding.

⁽²⁾ Sources: For Fiscal Year 2023, the Fiscal Year 2023 ACFR. For Fiscal Year 2024, the Fiscal Year 2024 ACFR. For Fiscal Year 2025, the Fiscal Year 2025 Adopted Budget and the FY 2025 Third Quarter QCMR, as applicable.

⁽³⁾ For Fiscal Year 2023, includes \$73.4 million in revenue from the Philadelphia Beverage Tax. For Fiscal Year 2024, includes \$69.6 million in revenue from such tax. For Fiscal Year 2025 Adopted Budget, assumes \$71.2 million in revenue from such tax. For Fiscal Year 2025 Current Estimate, assumes \$65.7 million in revenue from such tax. The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

⁽⁴⁾ In Fiscal Year 2023, the City included approximately \$335 million in federal COVID-19 relief funding from the American Rescue Plan. In Fiscal Year 2024, the City includes approximately \$391 million in federal COVID-19 relief funding from the American Rescue Plan. In Fiscal Year 2025, the City includes approximately \$419 million in federal COVID-19 relief funding from the American Rescue Plan (representing the final draw down of American Rescue Plan funds).

⁽⁵⁾ For Fiscal Year 2023, includes \$92.1 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2024, includes \$90.0 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2025 (Adopted Budget), assumes \$98.5 million from such tax revenues for the Municipal Pension Fund. For Fiscal Year 2025 (Current Estimate), includes \$93.7 million from such tax revenues for the Municipal Pension Fund. See “REVENUES OF THE CITY – Sales and Use Tax.”

⁽⁶⁾ Includes debt service on lease and service agreement financings.

⁽⁷⁾ Includes debt service on General Obligation Debt (as defined herein) and, if issued and outstanding, interest on tax and revenue anticipation notes; excludes debt service on PICA Bonds and lease and service agreement financings.

⁽⁸⁾ Advances & Miscellaneous Payments includes certain budgeted reserves for a given Fiscal Year. Any portion of such reserves that is not used to offset the applicable stated costs will increase the General Fund balance at the end of the given Fiscal Year, if not used by the City for other purposes.

⁽⁹⁾ For Fiscal Year 2025 (Adopted Budget), includes \$43.5 million in the Labor Reserve. For Fiscal Year 2025 (Current Estimate), includes \$0.0 in the Labor Reserve and \$95.0 million in the Federal Funding Reserve.

⁽¹⁰⁾ Deposit made in September 2024.

⁽¹¹⁾ “Net Adjustments – Prior Year” includes the cancellation of commitments from previous Fiscal Years during the current Fiscal Year.

⁽¹²⁾ In its Fiscal Year 2025 Adopted Budget, the City projected that Fiscal Year 2024 would end with a General Fund balance of \$628.1 million. In the Fiscal Year 2024 ACFR, the City reported that Fiscal Year 2024 ended with a General Fund balance of \$942.9 million. Such number has been included as the “Prior Year Fund Balance” in the FY 2025 Third Quarter QCMR.

The following discussion of the Fiscal Year 2025 Adopted Budget, the Thirty-Third Five-Year Plan, the Proposed Fiscal Year 2026 Budget, the Proposed Thirty-Fourth Five-Year Plan, and the FY 2025 Third Quarter QCMR, as applicable, is based, in part, on estimates, projections, and forward-looking statements related to Fiscal Year 2025 and Fiscal Year 2026. No assurance can be given that the applicable budget estimates and forward-looking statements will be realized. The accuracy of such budget estimates and forward-looking statements cannot be verified until after the close of the given Fiscal Year and the completion of the related audits.

Fiscal Year 2025 Adopted Budget and Thirty-Third Five-Year Plan. The City's proposed Fiscal Year 2025 operating budget was submitted by the Mayor to City Council on March 14, 2024, along with the City's Proposed Five-Year Plan for Fiscal Years 2025-2029. On June 13, 2024, City Council approved the Fiscal Year 2025 operating budget ordinance, which was signed by the Mayor on June 14, 2024 (the "Fiscal Year 2025 Adopted Budget").

On June 25, 2024, the City submitted to PICA for approval its FY 2025-2029 Five Year Financial Plan (the "Thirty-Third Five-Year Plan"). PICA approved the Thirty-Third Five-Year Plan at a meeting on July 25, 2024. PICA staff, in recommending that PICA approve the Thirty-Third Five-Year Plan, noted that the revenue and expenditure projections presented in the Plan were [quoting from the PICA Act] "based on reasonable and appropriate assumptions and methods of estimation . . . consistently applied."

The PICA staff report concluded that "[a]lthough PICA is confident that the [p]lan is based on reasonable and appropriate assumptions and includes year-end fund balances that are positive throughout the life of the [p]lan, certain factors were identified that may present risks to the [p]lan." In particular, the PICA staff report identified "external factors, internal policy, and operational choices [that] could unbalance the [p]lan and trigger a variance that would require the City to devise and deliver a new [p]lan for PICA approval." The PICA report identified such risks to the Plan and its projections as: (i) future labor costs; (ii) staffing levels; (iii) pension costs; (iv) interest rates and inflation; (v) funding shortfalls for SEPTA and the School District; (vi) unexpected events; and (vii) unplanned expenditures and revenue reductions.

The PICA staff report also provided certain recommendations to the City to address potential financial concerns that could impact the City's financial condition over the course of the Thirty-Third Five-Year Plan: (a) allocate additional resources for expected and unexpected circumstances and increase projected reserve levels; (b) seek structural balance between obligations and revenues (to address structural deficits, which increase the likelihood that the City could struggle to maintain positive fund balances and could undermine fiscal stability); and (c) enhance financial transparency of additional City funds (i.e., uses of funds in the Housing Trust Fund, the Transportation Fund, the Capital Fund, and the Grants Revenue Fund) and expand financial reporting thereon.

Proposed Fiscal Year 2026 Budget and Proposed Thirty-Fourth Five-Year Plan. The City's proposed Fiscal Year 2026 operating budget was submitted by the Mayor to City Council on March 13, 2025 (the "Proposed Fiscal Year 2026 Budget"), along with the City's Proposed Five-Year plan for Fiscal Years 2026-2030 (the "Thirty-Fourth Five-Year Plan").

In the Proposed Fiscal Year 2026 Budget, the City is estimating (i) \$6.32 billion in General Fund revenues (compared to \$6.49 billion for Fiscal Year 2025 as set forth in the FY 2025 Third Quarter QCMR) and (ii) \$6.74 billion in General Fund obligations (compared to \$6.62 billion for Fiscal Year 2025 as set forth in the FY 2025 Third Quarter QCMR), with a General Fund year-end balance (on the legally enacted basis) of approximately \$514.0 million (compared to \$882.1 million for Fiscal Year 2025 as set forth in the FY 2025 Third Quarter QCMR).

Fiscal Year 2025 Current Estimates. The current estimates for Fiscal Year 2025 are derived from information included in the FY 2025 Third Quarter QCMR. As such, current estimates are sourced to the FY 2025 Third Quarter QCMR throughout this APPENDIX A, unless otherwise noted herein.

In the FY 2025 Third Quarter QCMR, the City estimates that it will end Fiscal Year 2025 with a General Fund balance (on the legally enacted basis) of approximately \$882.1 million (\$313.6 million higher than projected in the Fiscal Year 2025 Adopted Budget).

For Fiscal Years 2026-2030, the Proposed Thirty-Fourth Five-Year Plan projects that the City will end such Fiscal Years with General Fund balances (on the legally enacted basis) of approximately (i) \$514.0 million (Fiscal Year 2026), (ii) \$187.1 million (Fiscal Year 2027), (iii) \$103.9 million (Fiscal Year 2028), (iv) \$40.9 million (Fiscal Year 2029), and (v) \$135.4 million (Fiscal Year 2030). The foregoing projections are based on the estimate of a General Fund balance of \$900.3 million for Fiscal Year 2025, as included in the Proposed Thirty-Fourth Five-Year Plan, and not on the estimate of a General Fund balance of \$882.1 million, as included in the FY 2025 Third Quarter QCMR.

For information on the fiscal health of the City, see “OVERVIEW – Fiscal Health of the City.” For more information on the City’s annual budget process under the City Charter and the five-year financial plans and quarterly reporting required under the PICA Act, see “– Budget Procedure,” “– Five-Year Plans of the City,” and “– Quarterly Reporting to PICA,” above.

REVENUES OF THE CITY

General

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

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 for General Fund tax revenues for Fiscal Years 2021-2024 and the budgeted amounts and current estimates for Fiscal Year 2025. The following discussion of the City’s revenues does not take into account revenues in the non-debt related funds.

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

Table 3
General Fund Tax Revenues
Fiscal Years 2021-2024 (Actual) and 2025 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD) ^{(1), (2), (3)}

| | Actual 2021 | Actual 2022 | Actual 2023 | Actual 2024 | Adopted Budget 2025 (June 14, 2024) | Current Estimate 2025 (May 15, 2025) |
|---|-------------------------|-------------------------|-------------------------|-------------------------|--|---|
| <u>Real Property Taxes</u> | | | | | | |
| Current | \$693.9 | \$670.8 | \$780.3 | \$803.2 | \$896.8 | \$895.8 |
| Prior | <u>29.4</u> | <u>29.9</u> | <u>29.3</u> | <u>34.9</u> | <u>28.1</u> | <u>34.2</u> |
| Total | <u>\$723.3</u> | <u>\$700.6</u> | <u>\$809.6</u> | <u>\$838.1</u> | <u>\$925.0</u> | <u>\$930.1</u> |
| <u>Wage and Earnings Tax⁽⁴⁾</u> | | | | | | |
| Current | \$1,447.7 | \$1,648.1 | \$1,730.1 | \$1,840.2 | \$1,925.2 | \$1,949.5 |
| Prior | <u>3.0</u> | <u>5.8</u> | <u>2.7</u> | <u>2.7</u> | <u>5.4</u> | <u>5.4</u> |
| Total | <u>\$1,450.7</u> | <u>\$1,653.9</u> | <u>\$1,732.8</u> | <u>\$1,842.9</u> | <u>\$1,930.6</u> | <u>\$1,954.9</u> |
| <u>Business Taxes</u> | | | | | | |
| Business Income and Receipts Tax Current & Prior | <u>\$541.6</u> | <u>\$749.9</u> | <u>\$673.3</u> | <u>\$679.8</u> | <u>\$616.7</u> | <u>\$679.8</u> |
| <u>Net Profits Tax</u> | | | | | | |
| Current | \$42.5 | \$22.0 | \$33.9 | \$31.9 | \$40.5 | \$38.9 |
| Prior | <u>1.9</u> | <u>5.3</u> | <u>5.1</u> | <u>10.7</u> | <u>4.7</u> | <u>4.7</u> |
| Subtotal Net Profits Tax | <u>\$44.4</u> | <u>\$27.3</u> | <u>\$39.0</u> | <u>\$42.6</u> | <u>\$45.2</u> | <u>\$43.6</u> |
| Total Business and Net Profits Taxes | <u>\$586.0</u> | <u>\$777.2</u> | <u>\$712.2</u> | <u>\$722.3</u> | <u>\$661.9</u> | <u>\$723.4</u> |
| <u>Other Taxes</u> | | | | | | |
| Sales and Use Tax ⁽⁵⁾ | \$230.4 | \$277.7 | \$302.2 | \$300.0 | \$317.0 | \$307.4 |
| Amusement Tax | 2.9 | 26.1 | 36.1 | 40.8 | 41.7 | 44.6 |
| Real Property Transfer Tax | 304.0 | 536.9 | 378.8 | 265.6 | 305.8 | 315.4 |
| Parking Taxes ⁽⁶⁾ | 53.2 | 86.6 | 101.9 | - | - | - |
| Other Taxes | <u>3.1</u> | <u>5.1</u> | <u>7.1</u> | <u>8.6</u> | <u>7.5</u> | <u>8.2</u> |
| Subtotal Other Taxes | <u>\$593.7</u> | <u>\$932.4</u> | <u>\$826.2</u> | <u>\$615.1</u> | <u>\$671.9</u> | <u>\$675.6</u> |
| Philadelphia Beverage Tax ⁽⁷⁾ | 70.2 | 75.4 | 73.4 | 69.6 | 71.2 | 65.7 |
| TOTAL TAXES | <u>\$3,423.9</u> | <u>\$4,139.4</u> | <u>\$4,154.3</u> | <u>\$4,088.0</u> | <u>\$4,260.5</u> | <u>\$4,349.7</u> |

⁽¹⁾ Sources: For Fiscal Years 2021-2024, the City's ACFRs for such Fiscal Years. For Fiscal Year 2025, the Fiscal Year 2025 Adopted Budget and the FY 2025 Third Quarter QCMR, as applicable.

⁽²⁾ See Table 7 in the Fiscal Year 2024 ACFR for tax rates.

⁽³⁾ Figures may not sum due to rounding.

⁽⁴⁾ Does not include the PICA Tax of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA Bonds and PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments. There are no PICA Bonds outstanding as of April 30, 2025 and no current debt service payments. See "DEBT OF THE CITY – PICA Bonds" for a description of the PICA Tax.

⁽⁵⁾ For more information on the City Sales Tax, see "– Sales and Use Tax" and Table 11.

⁽⁶⁾ Starting in Fiscal Year 2024, Parking Tax revenues are no longer part of the General Fund. Such revenues have been reassigned to the Transportation Fund, which utilizes the Parking Tax and certain fees and grants to support transportation activities including traffic, engineering, school crossing guards, right-of-way management, public safety enforcement officers, surveys, and street lighting. The Transportation Fund is accounted for as a special revenue fund.

⁽⁷⁾ The Philadelphia Beverage Tax taxes the distribution of certain beverages at 1.5 cents per ounce and became effective January 1, 2017.

Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising approximately 46.1% of all tax revenues in Fiscal Year 2024) is the wage, earnings, and net profits tax (collectively, the “Wage, Earnings, and Net Profits Tax”). The Wage and Earnings Tax is collected from all employees whose employer is within City limits, with the exception of those non-residents who are required to work outside of the City. Wage Tax is also collected from all city residents regardless of work location. The Net Profits Tax is collected on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts within the City limits. Table 4 sets forth the resident and non-resident Wage, Earnings, and Net Profits Tax rates for Fiscal Years 2021-2024, the annual Wage, Earnings, and Net Profits Tax receipts in Fiscal Years 2021-2024 and the budgeted amount and current estimate of such receipts for Fiscal Year 2025.

Table 4
Summary of Wage, Earnings, and Net Profits Tax Rates and Receipts
Fiscal Years 2021-2024 (Actual) and 2025 (Adopted Budget and Current Estimate)⁽¹⁾

| Fiscal Year | Resident Wage, Earnings and Net Profits Tax Rates ⁽²⁾ | Non-Resident Wage, Earnings and Net Profits Tax Rates | Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD) ⁽³⁾ |
|-------------|---|--|---|
| 2021 | 3.8712% | 3.5019% | \$2,019.3 (Actual) |
| 2022 | 3.8398% | 3.4481% | \$2,266.8 (Actual) |
| 2023 | 3.79% | 3.44% | \$2,469.1 (Actual) |
| 2024 | 3.75% | 3.44% | \$2,601.8 (Actual) |
| 2025 | 3.75% | 3.44% | \$2,715.2 (Adopted Budget) |
| | | | \$2,743.6 (Current Estimate) |

⁽¹⁾ See Table 7 in the Fiscal Year 2024 ACFR for tax rates for Fiscal Years 2021-2024. For tax rates for Fiscal Year 2025, see the Fiscal Year 2025 Adopted Budget.

⁽²⁾ Includes PICA Tax. See “DEBT OF THE CITY – PICA Bonds” for a description of the PICA Tax.

⁽³⁾ Sources: For Fiscal Years 2021-2024, the City’s ACFRs for the City’s annual Wage, Earnings, and Net Profits Tax receipts and the City’s Quarterly City Managers Reports for gross PICA Tax (see first column in Table 43). For Fiscal Year 2025, the Fiscal Year 2025 Adopted Budget and the FY 2025 Third Quarter QCMR, as applicable.

Commonwealth funding from gaming revenues is mandated by statute to be used to reduce the resident and nonresident Wage, Earnings, and Net Profits Tax rate. Gaming revenues averaged approximately \$86.3 million in Fiscal Years 2018-2022. For Fiscal Year 2023, the amount of gaming revenues was \$108.8 million. For Fiscal Year 2024, the amount of gaming revenues was \$108.8 million. For Fiscal Year 2025, the budgeted amount and current estimate of gaming revenues is \$130.6 million.

In a 2015 decision the Supreme Court of the United States (*Comptroller of the Treasury of Maryland v. Wynne*, 135 S. Ct. 1787 (2015)), held that Maryland’s failure to provide a full credit against its personal income tax for income taxes a resident paid to other states violated the dormant Commerce Clause of the United States Constitution. The Maryland personal income tax was applied to income earned outside of the state of residency, and residents were not given a full credit for income taxes paid to the state where such income was earned, resulting, in the circumstances presented, in income earned interstate being taxed twice. 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. The City’s position has been upheld by the Tax Review Board, the Philadelphia Court of Common Pleas, the Commonwealth Court, and the Pennsylvania Supreme Court. In February 2024, the taxpayer filed a petition asking the U.S. Supreme Court to hear the case. In January 2025, the U.S. Supreme Court denied the taxpayer’s petition, meaning the PA Supreme Court’s decision in favor of the City stands.

Business Income and Receipts Tax

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

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

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

BIRT Lawsuit. In August 2024, a lawsuit was filed against the City by a taxpayer challenging its BIRT liability, claiming that (i) the City's single sales factor apportionment is not statutorily authorized and (ii) the small business exemption of the first \$100,000 of receipts from the BIRT (equally applicable to all taxpayers) violates the Uniformity Clause of the Pennsylvania Constitution.

The City continues to explore possible solutions to the issues raised in this lawsuit, including eliminating the BIRT exemption in its entirety (as included in the Proposed Fiscal Year 2026 Budget), which would increase BIRT collections and require more small businesses in the City to file a BIRT return. The City, through the Department of Commerce, also expects to expand certain programs that support small businesses.

Table 5 provides a summary of BIRT rates for tax years 2016-2025. BIRT rates for tax year 2025 and future tax years remain subject to amendment by action of City Council and the Mayor.

Table 5
Summary of Business Income and Receipts Tax Rates

| <u>Tax Year</u> | <u>Gross Receipts</u> | <u>Net Income</u> |
|-----------------|-----------------------|-------------------|
| 2016 | 1.415 mills | 6.39% |
| 2017 | 1.415 mills | 6.35% |
| 2018 | 1.415 mills | 6.30% |
| 2019 | 1.415 mills | 6.25% |
| 2020 | 1.415 mills | 6.20% |
| 2021 | 1.415 mills | 6.20% |
| 2022 | 1.415 mills | 5.99% |
| 2023 | 1.415 mills | 5.81% |
| 2024 | 1.415 mills | 5.81% |
| 2025 | 1.410 mills | 5.71% |

Real Property Taxes

Assessment and Collection. Taxes are levied on the assessed value of all taxable residential and commercial real property located within the City’s boundaries for the City and for the School District (each, a “Real Estate Tax”) as assessed by the Office of Property Assessment (“OPA”) and collected by the Department of Revenue for both the City and the School District. Real Estate Taxes are authorized by Commonwealth law with the millage split between the City Real Estate Tax and the School District Real Estate Tax changing over the years. Currently, the City Real Estate Tax is equal to 44% of the total authorized millage and the School District Real Estate Tax is equal to 56% of the total authorized millage. Real Estate Taxes are levied on a calendar year basis. By separate ordinances, City Council authorizes and levies the rate of the City Real Estate Tax and authorizes the rate of the School District Real Estate Tax. The Board of Education levies all School District taxes, including the School District Real Estate Tax. Bills are sent in December for the following year and payments are due March 31.

In tax year 2014, all properties in Philadelphia were reassessed at their actual market value by OPA under the Actual Value Initiative (“AVI”) in order to replace outdated values and inequities within the system. As a result, there were substantial increases in assessed value. In order to mitigate any hardship that could be created by such increases, the City implemented a Homestead Exemption of \$30,000 for all primary residential owner-occupants, which has been increased several times. In Fiscal Year 2025, the Homestead Exemption increased from \$80,000 to \$100,000 of assessed value.

In December 2024, the City Controller released a report examining the ongoing eligibility of certain property owners who are claiming the Homestead Exemption. The City is reviewing the report’s findings and recommendations and any potential impact on Real Estate Taxes. In a separate effort, the Department of Revenue formed a Real Estate Tax Assistance Enforcement unit in 2023. In Fiscal Year 2025, the City removed the Homestead Exemption from 821 properties and billed \$1.5 million in Real Estate Tax as of the date hereof.

In addition to the programs described above, the City has several other property tax relief programs for taxpayers. In particular, in Fiscal Year 2025, the City instituted the Low-Income Tax Freeze, which permits a freeze in property tax increases for low-income homeowners. Under the Low-Income Tax Freeze, the dollar amount of property taxes owed is frozen, even if the assessment value or tax rate changes. Those enrolled in the Low-Income Tax Freeze program remain enrolled so long as they meet eligibility requirements.

In December 2019, City Council also passed legislation to modify the existing 10-year property tax abatement for new construction of residential properties. The program has been adjusted to exempt

100% of the improvement value in the first year with graduated 10% annual reductions in the exemption percentage each subsequent year. No changes were made to the existing property tax abatement programs for commercial buildings or substantial rehabilitation of residential structures. Due to the COVID-19 pandemic, this legislation was amended to delay its effective date and applies to exemption applications beginning on or after January 1, 2022.

The Real Estate Tax rates for tax years 2021-2025 are set forth in Table 6 below:

Table 6
Real Estate Tax Rates and Allocations

| <u>Tax Year</u> | <u>City</u> | <u>School District</u> | <u>Total</u> |
|-----------------|-------------|------------------------|--------------|
| 2021 | 0.6317% | 0.7681% | 1.3998% |
| 2022 | 0.6317% | 0.7681% | 1.3998% |
| 2023 | 0.6317% | 0.7681% | 1.3998% |
| 2024 | 0.6317% | 0.7681% | 1.3998% |
| 2025 | 0.6159% | 0.7839% | 1.3998% |

For Fiscal Year 2024, the actual amount of Real Estate Tax revenue for the City is \$803.2 million (excluding delinquent collections). For Fiscal Year 2025, the budgeted amount of Real Estate Tax revenue for the City is \$896.8 million (excluding delinquent collections). For Fiscal Year 2025, the current estimate of Real Estate Tax revenue for the City is \$895.8 million (excluding delinquent collections). See Table 3 above. For information on the process for appealing a property tax assessment, see the text before and after Table 7 below.

Table 7 shows certified property values for tax years 2025 and 2026.

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Table 7
Certified Property Values for Tax Years 2025 and 2026

| <u>Tax Year 2025</u> | | | | | |
|--|-----------------------------------|----------------------------------|-------------------------|-----------------------------------|----------------------------|
| Category | Market Value⁽¹⁾ | Exempt Assessed Value | Homestead | Taxable Assessed Value | # of Properties |
| Single Family Residential | \$122,718,187,566 | \$10,267,003,210 | \$22,329,404,447 | \$90,121,779,909 | 463,981 |
| Multi-Family Residential (Apartments) ⁽²⁾ | 26,711,333,970 | 4,446,836,837 | 822,813,876 | 21,441,683,257 | 40,870 |
| Commercial ⁽³⁾ | 22,181,804,365 | 3,106,631,297 | 3,841,271 | 19,071,331,797 | 8,779 |
| Non-Residential ⁽⁴⁾ | 52,715,955,855 | 31,587,981,806 | 105,253,877 | 21,022,720,172 | 26,790 |
| Vacant Land | 7,177,593,098 | 3,451,387,978 | 6,262,699 | 3,719,942,421 | 43,934 |
| Total | \$231,504,874,854 | \$52,859,841,128 | \$23,267,576,171 | \$155,377,457,555 | 584,354 |

¹ Assessment data current as of May 31, 2024.

² Apartments were split from the previous hotels and apartments category and are now reflected as multi-family residential.

³ Includes retail and office.

⁴ Includes industrial, store with dwelling, hotels, motels, governmental, and institutional.

| <u>Tax Year 2026</u> | | | | | |
|--|-----------------------------------|----------------------------------|-------------------------|-----------------------------------|----------------------------|
| Category | Market Value⁽¹⁾ | Exempt Assessed Value | Homestead | Taxable Assessed Value | # of Properties |
| Single Family Residential | \$123,232,843,165 | \$10,348,620,866 | \$23,287,812,377 | \$89,596,569,922 | 464,138 |
| Multi-Family Residential (Apartments) ⁽²⁾ | 26,528,602,065 | 4,243,090,049 | 855,803,558 | 21,431,018,118 | 41,266 |
| Non-Residential ⁽³⁾ | 76,528,433,240 | 35,439,153,727 | 115,555,512 | 40,973,121,961 | 35,509 |
| Vacant Land | 7,204,951,601 | 3,751,002,689 | 10,910,162 | 3,443,536,950 | 42,537 |
| Total | \$233,494,830,071 | \$53,781,867,331 | \$24,270,081,609 | \$155,444,246,951 | 583,450 |

¹ Assessment data current as of May 7, 2025.

² Apartments were split from the previous hotels and apartments category and are now reflected as multi-family residential.

³ Includes industrial, store with dwelling, hotels, motels, governmental, and institutional.

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

OPA certifies the market values during the prior year (i.e., for tax year 2026, OPA certified the market values on March 31, 2025). Taxpayers base their appeals on the certified market values, and therefore, the assessed values are adjusted as the appeals are finalized. In some circumstances and for certain tax years, taxpayers are permitted, during the appeals process, to pay their property tax bills based on the certified market value of their properties from the prior assessment. For budgetary purposes, OPA provides updated assessment data to the Office of the Director of Finance each year, from which Real Estate Tax projections are made. Certified values can vary substantially from the amounts included in such data and, as such, Real Estate Tax collections can also vary from the amounts included in the City’s proposed annual operating budget.

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

For tax year 2024 (as certified on March 31, 2023), the City did not conduct a citywide revaluation so that OPA could focus on reviewing FLR applications submitted for tax year 2023. As such, the City carried forward the assessed values from tax year 2023, with the exception of properties that had new construction, expiring abatements, renovations, subdivisions, consolidations, or errors in prior year assessments. As of April 30, 2025, OPA has received approximately 210 FLRs, with less than 1% that have yet to be decided. As of April 30, 2025, BRT has received 3,612 appeals, with approximately 1,204 that have yet to be decided.

For tax year 2025 (as certified on May 31, 2024), OPA revised the assessed values of over 550,000 parcels throughout the City as part of its first citywide revaluation since tax year 2023. OPA retained an outside firm to conduct a ratio study on the 2025 assessments for single-family homes, which determined that OPA met (and improved on) industry standards for uniformity, equity, and accuracy. As of April 30, 2025, OPA has received approximately 20,575 FLRs, with 15,976 that have yet to be decided. As of April 30, 2025, BRT has received 12,411 appeals, with approximately 8,312 that have yet to be decided.

For tax year 2026 (as certified on March 31, 2025), the City did not conduct a citywide revaluation so that OPA could focus on reviewing FLR applications submitted for tax year 2025. As such, the City carried forward the assessed values from tax year 2025, with the exception of properties that had new construction, expiring abatements, renovations, subdivisions, consolidations, or errors in prior year assessments. Property owners will have at least 30 days from the date of their notice of change in market value to file an FLR for tax year 2026. Property owners also have the option to file a BRT appeal by October 6, 2025.

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

examining the uniformity, accuracy, and equity of OPA’s tax year 2025 assessments for single-family residential properties. The Mayor has also established a task force to examine OPA’s assessment process.

Real Estate Tax Tables. See Table 8 below for data with respect to Real Estate Taxes levied from 2020 to 2024 and collected by the City from January 1, 2020 to June 30, 2024. See Table 9 for the assessed property values of the City’s principal taxable assessed parcels in 2025. See Table 10 for the 2025 market and assessed values of the ten highest valued taxable real properties in the City, as well as the amounts and duration of Real Estate Tax abatements with respect to such properties.

Table 8
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2020-2024
(Amounts in Millions of USD)^{(1), (2)}

| Calendar Year | Taxes Levied Based on Original Assessment ⁽³⁾ | Taxes Levied Based on Adjusted Assessment ⁽⁴⁾ | Collections in the Calendar Year of Levy ⁽⁶⁾ | Percentage Collected in the Calendar Year of Levy | Collections in Subsequent Years ^{(5), (6)} | Total Collections to Date: All Years ⁽⁶⁾ | Percentage Collected to Date: All Years ⁽⁶⁾ |
|---------------|--|--|---|---|---|---|--|
| 2020 | \$722.7 | \$700.4 | \$671.5 | 95.9% | \$27.1 | \$698.6 | 99.7% |
| 2021 | \$729.7 | \$714.5 | \$692.2 | 96.9% | \$22.4 | \$714.6 | 100.0% |
| 2022 | \$732.2 | \$721.9 | \$705.7 | 97.8% | \$15.1 | \$720.8 | 99.8% |
| 2023 | \$872.8 | \$838.7 | \$789.2 | 94.1% | \$13.7 | \$802.9 | 95.7% |
| 2024 | \$875.6 | \$849.3 | \$774.2 | N/A | N/A | \$774.2 | N/A |

⁽¹⁾ Source: Fiscal Year 2024 ACFR.

⁽²⁾ Real Estate Taxes are levied by the City and the School District. While this table reflects City General Fund Real Estate Tax revenues exclusively, the School District Real Estate Tax collection rates are the same.

⁽³⁾ Taxes are levied on a calendar year basis. They are due on March 31.

⁽⁴⁾ Adjustments include assessment appeals, the senior citizen tax discount, and the tax increment financing return of tax paid. For more information on the reassessment appeal process, see “– Real Property Taxes – Assessment and Appeals.”

⁽⁵⁾ Includes payments from capitalized interest. This capitalization occurs only after the first year of the levy on any amount that remains unpaid at that time.

⁽⁶⁾ For calendar year 2024, the data shown reflect collections through June 30, 2024. For earlier calendar years, the data shown reflect collections through December 31 of the respective year.

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Table 9
Principal Taxable Assessed Parcels – 2026
(Amounts in Millions of USD)⁽¹⁾

| Taxpayer | 2026 | |
|--|---------------------------|---------------------------------|
| | Assessment ⁽²⁾ | Percentage of Total Assessments |
| EQC Nine Penn Center Prop | \$390.5 | 0.22% |
| Kim Sub Cira Square LP | 370.6 | 0.21% |
| Liberty Property Phila ⁽³⁾ | 357.6 | 0.20% |
| Phila Liberty Place LP | 310.7 | 0.17% |
| Brandywine Cira Walnut 1 | 280.4 | 0.16% |
| PRU 1901 Market LLC | 278.0 | 0.15% |
| Brandywine Cira LP | 260.1 | 0.14% |
| NG 1500 Market St LLC | 250.7 | 0.14% |
| Brandywine Operating | 239.8 | 0.13% |
| Philadelphia Market | 221.4 | 0.12% |
| Total | \$2,959.7 | 1.65% |
| Total Taxable Assessments⁽⁴⁾ | \$179,714.3 | |

Source: City of Philadelphia, Office of Property Assessment.

- (1) Figures may not sum due to rounding.
(2) Assessment Values rounded to the nearest \$100,000 and only include the largest assessed property for each taxpayer, additional properties owned by the same taxpayer are not included.
(3) Acquired by Prologis, Inc. in the first quarter of calendar year 2020.
(4) Total 2026 Taxable Assessment as of May 7, 2025.

Table 10
Ten Largest Certified Market and Assessment Values of Tax-Abated Properties
Certified Values for 2026
(Amounts in Millions of USD)^{(1), (2)}

| Location | 2026 Certified Market Value | Total Assessment | Total Taxable Assessment | Total Exempt Assessment | Exempt Through Tax Year |
|-----------------------------|-----------------------------|------------------|--------------------------|-------------------------|-------------------------|
| 900 Packer Ave | \$440.0 | \$440.0 | \$43.8 | \$396.2 | 2031 |
| 1800 Arch St | \$319.8 | \$319.8 | \$32.0 | \$287.8 | 2027 |
| 2201 Park Towne Pl | \$276.9 | \$276.9 | \$166.0 | \$110.9 | 2028 |
| 1001-99 N Delaware Ave | \$242.0 | \$242.0 | \$129.0 | \$113.0 | 2026 |
| 170 S Independence W Mall | \$186.5 | \$186.5 | \$157.3 | \$29.1 | 2028 |
| 1801-45 John F Kennedy Blvd | \$185.0 | \$185.0 | \$154.4 | \$30.6 | 2026 |
| 1441 Chestnut St | \$156.5 | \$156.5 | \$15.6 | \$140.8 | 2031 |
| 2400 Market St | \$151.8 | \$151.8 | \$39.5 | \$112.2 | 2028 |
| 1112 N Hancock St Unit 1 | \$150.0 | \$150.0 | \$15.0 | \$135.0 | 2033 |
| 25 N 38th St Unit A | \$147.8 | \$147.8 | \$29.6 | \$118.3 | 2033 |

Source: City of Philadelphia, Office of Property Assessment.

(1) Figures may not sum due to rounding.

(2) Certified Values as of 03/31/2025.

Sales and Use Tax

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

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

Table 11 sets forth the City Sales Taxes collected in Fiscal Years 2021-2024 and the budgeted amount and current estimate for Fiscal Year 2025.

Table 11
Summary of City Sales Tax Collections
Fiscal Years 2021-2024 (Actual) and 2025 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD)⁽¹⁾

| <u>Fiscal Year</u> | <u>City Sales Tax Collections⁽²⁾</u> |
|---------------------------|--|
| 2021 (Actual) | \$230.4 |
| 2022 (Actual) | \$277.7 |
| 2023 (Actual) | \$302.2 |
| 2024 (Actual) | \$300.0 |
| 2025 (Adopted Budget) | \$316.9 |
| 2025 (Current Estimate) | \$307.4 |

⁽¹⁾ Sources: For Fiscal Years 2021-2024, the City’s ACFRs for such Fiscal Years. For Fiscal Year 2025, the Fiscal Year 2025 Adopted Budget and the FY 2025 Third Quarter QCMR, as applicable.

⁽²⁾ Net collections estimated to be distributed to the City from the first 1% City Sales Tax and following the distribution of \$120 million of revenues from the second 1% City Sales Tax to the School District, as described above.

Real Property Transfer Tax

Real Property Transfer Taxes are collected in connection with the sale of real property in the City. The Real Property Transfer Tax rate in the City is 4.278%, 3.278% of which is imposed by the City and 1% of which is charged by the Commonwealth. In the Fiscal Year 2024 ACFR, the City reported that it collected approximately \$265.6 million in revenues from the Real Property Transfer Tax in Fiscal Year 2024.

In the FY 2025 Third Quarter QCMR, the City currently estimates that it will collect approximately \$315.4 million in revenues from the Real Property Transfer Tax in Fiscal Year 2025.

In Fiscal Year 2026, the City expects to launch the Housing Opportunities Made Easy (H.O.M.E.) Initiative to build and preserve 30,000 units of new and existing housing and otherwise support affordable housing. The H.O.M.E. Initiative contemplates two phases of bond financing through the Philadelphia Redevelopment Authority, totaling approximately \$800 million. Debt service on such bonds is expected to be supported, in part, by an increase in the Real Property Transfer Tax. As part of the H.O.M.E. Initiative, the City has proposed to eliminate the Construction Impact Tax to facilitate construction. Proposals related to the H.O.M.E. Initiative are included in the Proposed Thirty-Fourth Five-Year Plan and Proposed Fiscal Year 2026 Budget.

Other Taxes

The City also collects a Parking Tax, an Amusement Tax, a Valet Parking Tax, an Outdoor Advertising Tax, a Smokeless Tobacco Tax, the Philadelphia Beverage Tax (see below), and other miscellaneous taxes. Starting in Fiscal Year 2024, the Parking Tax and the Valet Parking Tax revenues are no longer part of the General Fund. As described herein, such revenues have been reassigned to the Transportation Fund.

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

The Philadelphia Beverage Tax is deposited into the General Fund, and with the additional revenue, the City has budgeted for pre-Kindergarten programs, community schools, and debt service for improvements to parks, playgrounds, recreation centers, and libraries, as contemplated by the City’s Rebuild program. In the Fiscal Year 2024 ACFR, the City reported that it collected approximately \$69.6 million in revenues from the Philadelphia Beverage Tax for Fiscal Year 2024.

In the FY 2025 Third Quarter QCMR, the City currently estimates that it will collect approximately \$65.7 million in revenues from the Philadelphia Beverage Tax in Fiscal Year 2025.

Collection Initiatives

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

In addition to compliance efforts, the City has completed multiple technology projects – one to implement technology solutions for its cashiering and payments processing systems and another to develop an integrated data warehouse and case management system. These projects were prior to the

City's launch of its new tax system of record and its public facing counterpart, the Philadelphia Tax Center, which was completed in October 2022. These initiatives improve operational efficiencies, customer service and compliance, and drive enforcement efforts by providing tools previously unavailable to the City.

As a result of economic disruptions from the COVID-19 pandemic, the City modified its regular collection strategies. Throughout the pandemic, the Department of Revenue continued to send bills and notifications and pursue outreach efforts to both businesses and vulnerable residents. Enforcement projects, and placements with collection agencies have resumed as economic conditions have improved, including the revocation of business licenses and performing tax sales. In July 2024, the City resumed the Sheriff's sale of properties with delinquent property tax accounts. The City continues to evaluate and pursue long-time delinquent accounts and place liens on properties for property-based taxes and fees.

Along with existing flexible payment agreements for property tax and water fees, the City also launched new payment agreements for all business taxes to bring businesses affected by COVID-19 closures into compliance. Additionally, the Department of Revenue launched an "Offers in Compromise" program, which allows certain taxpayers to submit a request to settle their tax obligations for a payment of less than the full amount owed. Such requests are determined based on the taxpayer's current and projected financial circumstances. The program is designed to bring long-time delinquent accounts into compliance.

Other Locally Generated Non-Tax Revenues

These revenues include license fees and permit sales, traffic fines and parking meter receipts, court related fees, certain stadium revenues, interest earnings and other miscellaneous charges and revenues of the City. Beginning with Fiscal Year 2024, some of these revenues are no longer part of the General Fund and have been reassigned to the newly created Transportation Fund, which supports transportation activities including paving, traffic, engineering, school crossing guards, right-of-way management, public safety enforcement officers, surveys, and street lighting.

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Revenue from Other Governments

Table 12 presents revenues received from other governmental jurisdictions for Fiscal Years 2021-2024, the budgeted amount and current estimate for Fiscal Year 2025, and the percentage such revenues represent in the General Fund. The table does not reflect substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Table 12
Revenue from Other Governmental Jurisdictions
Fiscal Years 2021-2024 (Actual) and 2025 (Adopted Budget and Current Estimate)
(Dollar Amounts in Millions of USD)^{(1), (2), (3)}

| Fiscal Year | Commonwealth⁽⁴⁾ | Federal Government | Other Governments⁽⁵⁾ | Total | Percentage of General Fund Revenues |
|-------------------------|-----------------------------------|---------------------------|--|------------------------|--|
| 2021 (Actual) | \$229.8 | \$62.4 ⁽⁶⁾ | \$35.4 | \$327.6 | 7.0% |
| 2022 (Actual) | \$228.9 | \$84.6 ⁽⁶⁾ | \$62.6 | \$376.1 | 6.5% |
| 2023 (Actual) | \$252.7 | \$42.9 | \$67.6 | \$363.2 ⁽⁷⁾ | 6.0% |
| 2024 (Actual) | \$261.5 | \$37.9 | \$59.6 | \$359.0 | 5.9% |
| 2025 (Adopted Budget) | \$296.1 | \$37.3 | \$65.1 | \$398.5 | 6.4% |
| 2025 (Current Estimate) | \$304.5 | \$65.2 | \$65.1 | \$434.8 | 6.7% |

⁽¹⁾ Sources: Derived from the applicable adopted budgets and five-year plans for the given Fiscal Year.

⁽²⁾ Figures may not sum due to rounding.

⁽³⁾ Does not include the PICA Tax.

⁽⁴⁾ Such revenues are for health, welfare, court, and various other specified purposes.

⁽⁵⁾ Such revenues primarily consist of payments from PGW, parking fines and fees from PPA, and other authorized adjustments.

⁽⁶⁾ Includes federal relief funding from the CARES Act.

⁽⁷⁾ Does not include other authorized adjustments of \$59.1 million.

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Revenues from City-Owned Systems

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

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

Table 13 shows the amounts transferred from the Water Fund to the General Fund for Fiscal Years 2021-2024 and the budgeted amount and current estimate for Fiscal Year 2025.

Table 13
Transfers from Water Fund to General Fund (Excess Interest on Sinking Fund Reserve)
Fiscal Years 2021-2024 (Actual) and 2025 (Adopted Budget and Current Estimate)^{(1), (2)}

| Fiscal Year | Amount Transferred |
|-------------------------|---------------------------|
| 2021 (Actual) | \$2,586,100 |
| 2022 (Actual) | \$575,643 |
| 2023 (Actual) | \$0 |
| 2024 (Actual) | \$1,687,102 |
| 2025 (Adopted Budget) | \$1,500,000 |
| 2025 (Current Estimate) | \$1,500,000 |

⁽¹⁾ Sources: For Fiscal Years 2021-2024, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2025, the Fiscal Year 2025 Adopted Budget and the FY 2025 Third Quarter QCMR.

⁽²⁾ The Water Department's budgeted amount for such transfers is typically greater than the figure included in the City's operating budget.

The City also budgets for certain transfers from the Water Fund to the General Fund related to services performed and costs borne by the General Fund. For Fiscal Year 2022, the amount of such transfers was approximately \$6.5 million. For Fiscal Year 2023, the amount of such transfers was approximately \$4.6 million. For Fiscal Year 2024, the amount of such transfers was \$11.8 million. For Fiscal Year 2025, the budgeted amount and current estimate of such transfers is approximately \$5.7 million.

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PGW Annual Payments

The revenues of PGW are required to be segregated from other funds of the City. Payments for debt service on PGW bonds are made directly by PGW. PGW is required to make an annual payment of \$18 million to the General Fund. The Fiscal Year 2025 Adopted Budget includes such \$18 million annual payment to the General Fund from PGW for such Fiscal Year.

PGW made a payment of \$18.0 million to the City in each of the City's Fiscal Years 2024, 2023 and 2022. The City has the right to obtain such payment from PGW in any lawful manner, including set off against payments the City would otherwise make to PGW.

At the direction of the Finance Director and approval of City Council, PGW can increase its annual payment by an amount equal to or less than 10% (i.e., up to a \$19.8 million annual payment). To the extent that PGW is directed by the Finance Director to increase its annual payment to an amount greater than \$19.8 million, PGW must first gain approval from the Pennsylvania Public Utility Commission (the "PUC").

For more information on PGW, see "THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services."

Philadelphia Parking Authority Revenues

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

The PPA owned and operated five parking garages and a number of surface parking lots at PHL (collectively, the "Improvements"). The land on which these garages and surface lots are located was previously leased from the City, acting through the Department of Aviation, pursuant to a lease originally expiring in 2030 (the "Lease Agreement"). On August 14, 2020, pursuant to the Lease Agreement and that certain Parking Services Contract, the City exercised its option to purchase the Improvements. As of the date of this Official Statement, the City has terminated the Lease Agreement and provided the requisite funds to redeem the debt issued and outstanding under the PPA's bond indenture related to the Improvements. The PPA now manages the PHL parking facilities under a management agreement with the City.

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

On-street parking revenues are administered and collected, on behalf of the City, by the PPA. Pursuant to Pennsylvania law, the PPA transmits these revenues to the City, net of any actual expenses incurred in the administration of the on-street parking system in accordance with the PPA's approved budget. If such net revenues exceed a designated threshold, then any excess above that threshold is to be transmitted to the School District by PPA. The current threshold is estimated to be \$42.3 million and includes a mandatory escalator to take into account increases in revenues.

Table 14 presents payments received by the City from PPA for on-street parking and parking at certain off-street parking lots for Fiscal Years 2021-2024 and the budgeted amount and current estimate for Fiscal Year 2025.

Table 14
PPA Payments to the City
Fiscal Years 2021-2024 (Actual) and 2025 (Adopted Budget and Current Estimate)^{(1), (2)}
(Amounts in Millions of USD)

| Fiscal Year | Payments to the City |
|-------------------------|----------------------|
| 2021 (Actual) | \$25.6 |
| 2022 (Actual) | \$44.6 |
| 2023 (Actual) | \$48.7 |
| 2024 (Actual) | \$40.3 |
| 2025 (Adopted Budget) | \$46.7 |
| 2025 (Current Estimate) | \$46.7 |

⁽¹⁾ Sources: For Fiscal Years 2021-2024, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2025, the Fiscal Year 2025 Adopted Budget and the FY 2025 Third Quarter QCMR, as applicable.

⁽²⁾ Table 14 shows City revenues; none of such payments is transferred to the School District.

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Proposed Changes to Certain Tax Rates

The Proposed Thirty-Fourth Five-Year Plan includes certain proposed tax changes, including reductions to the Wage and Earnings Tax and the BIRT. Such changes are set forth in Table 15 below. There are also proposals to eliminate the Construction Impact Tax, modify the allocation of the Real Estate Tax, and increase the Real Property Transfer Tax, among others. A proposed increase in the parking rate in Center City and recording fees to pay for the Tangled Title program are also being considered.

Table 15
Wage and Earnings Tax Rates⁽¹⁾

| Tax Year | Proposed Thirty-Fourth Five-Year Plan | |
|----------|--|--------------------------------|
| | Resident Wage and Earnings | Non-Resident Wage and Earnings |
| | Tax Rates ⁽²⁾ | Tax Rates |
| 2025 | 3.750% | 3.440% |
| 2026 | 3.740% | 3.430% |
| 2027 | 3.735% | 3.425% |
| 2028 | 3.730% | 3.420% |
| 2029 | 3.720% | 3.410% |
| 2030 | 3.700% | 3.390% |

⁽¹⁾ Includes PICA Tax. See “DEBT OF THE CITY – PICA Bonds” for a description of the PICA Tax.

BIRT Rates

| Tax Year | Proposed Thirty-Fourth Five-Year Plan | |
|----------|--|------------|
| | Gross Receipts | Net Income |
| | Tax Rate | Tax Rate |
| 2025 | 0.1410% | 5.71% |
| 2026 | 0.1395% | 5.65% |
| 2027 | 0.1390% | 5.60% |
| 2028 | 0.1385% | 5.55% |
| 2029 | 0.1380% | 5.50% |
| 2030 | 0.1255% | 5.45% |

The foregoing proposals (or any of the other proposals described herein) may not be adopted in the form included in the Proposed Thirty-Fourth Five-Year Plan or the Proposed Fiscal Year 2026 Budget and additional modifications thereof may be considered prior to any proposal being adopted.

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EXPENDITURES OF THE CITY

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

Personal Services (Personnel)

As of June 30, 2024, the City employed 27,119 full-time employees, representing approximately 3.8% of employees in Philadelphia (approximately 720,237 employees, according to preliminary, non-seasonally adjusted data from the Bureau of Labor Statistics). Of the 27,119 full-time employees, the salaries of 20,865 were paid from the General Fund. Additional sources of funding for full-time City employees include the Grants Revenue Fund, the Water Fund, and the Aviation Fund, as well as grants and contributions from other governments. Activities funded through such grants and contributions are not undertaken if funding is not received. Table 16 sets forth the number of filled, full-time positions of the City as of the dates indicated.

Table 16
Filled, Full-Time Positions^{(1), (2)}

| | <u>June 30,</u> <u>2020</u> | <u>June 30,</u> <u>2021</u> | <u>June 30,</u> <u>2022</u> | <u>June 30,</u> <u>2023</u> | <u>June 30,</u> <u>2024</u> |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <u>General Fund</u> | | | | | |
| Police | 7,175 | 6,869 | 6,651 | 6,351 | 6,204 |
| Fire | 2,628 | 2,678 | 2,667 | 2,794 | 2,815 |
| Courts | 1,825 | 1,773 | 1,686 | 1,685 | 1,707 |
| Prisons | 1,975 | 1,620 | 1,393 | 1,312 | 1,266 |
| Streets | 1,925 | 1,941 | 2,072 | 2,068 | 1,495 |
| Public Health | 739 | 716 | 689 | 690 | 730 |
| Human Services ⁽³⁾ | 437 | 492 | 492 | 535 | 441 |
| All Other | <u>5,718</u> | <u>5,541</u> | <u>5,405</u> | <u>5,836</u> | <u>6,207</u> |
| <u>Total – General Fund</u> | <u>22,422</u> | <u>21,630</u> | <u>21,055</u> | <u>21,271</u> | <u>20,865</u> |
| <u>Other Funds</u> | <u>5,917</u> | <u>5,579</u> | <u>5,377</u> | <u>5,321</u> | <u>6,254</u> |
| <u>Total – All Funds</u> | <u>28,339</u> | <u>27,209</u> | <u>26,432</u> | <u>26,592</u> | <u>27,119</u> |

⁽¹⁾ Source: Table P-1 in the City’s Quarterly City Managers Reports.

⁽²⁾ Table 16 does not include part-time, seasonal, or temporary employees.

⁽³⁾ Positions have been transferred to the Grants Revenue Fund. Non-reimbursed expenditures will be transferred to the General Fund during the fiscal year.

Overview of City Employees

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

As of February 2025, the City had approximately 22,600 unionized employees, representing approximately 81% of the City’s employees. Such employees were represented by the City’s five municipal unions: (i) Fraternal Order of Police (“FOP”) Lodge No. 5; (ii) International Association of

Fire Fighters (“IAFF”) Local 22; (iii) American Federation of State, County and Municipal Employees District Council 33 (“AFSCME DC 33”); (iv) American Federation of State, County and Municipal Employees District Council 47 (“AFSCME DC 47”); and (v) United Steelworkers Local 286 (“Steelworkers Local 286”). Table 18 describes certain aspects of the collective bargaining agreements (“CBAs”) or interest arbitration awards with the City’s municipal unions.

In Fiscal Year 2022, the City received arbitration awards with the FOP and IAFF and reached CBAs with AFSCME DC 33 and AFSCME DC 47 covering the period July 1, 2022 through June 30, 2024. In Fiscal Year 2023, the City received an arbitration award with AFSCME DC 33, Local 159 Correctional Officers (“AFSCME DC 33 Local 159”). On August 12, 2022, the economic portion of the CBA with one new bargaining unit, Steelworkers Local 286, was resolved. The negotiations for the non-economic matters remain ongoing. During Fiscal Year 2024, the City reached a one-year extension with the FOP, IAFF, Deputy Sheriffs and Office of the Register of Wills, AFSCME DC 33, Local 159, and Steelworkers, Local 286 as noted in the sections below. During Fiscal Year 2025, the City reached one-year extensions with AFSCME DC 47, Locals 2186, 2187, and 810, and AFSCME DC 33 as noted in the sections below.

A brief description of certain terms of the current labor agreements is included below.

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

On November 15, 2023, the City and the FOP Lodge 5 (Police Department) entered into a one-year extension of the existing CBA, covering Fiscal Year 2025. It provides for (i) wage increases of 5%, (ii) a one-time lump sum bonus of \$1,800 upon successful completion of the Police Academy (along with Active Bystandership for Law Enforcement (ABLE) training) (payment was made by August 1, 2024), (iii) a one-time lump sum payment of \$4.5 million to the Joint Retiree Trust Fund, and (iv) a \$14 increase to current meal allowances, effective July 1, 2024.

On December 19, 2023, the City and IAFF entered into a one-year extension of the existing CBA, covering Fiscal Year 2025. It provides for (i) wage increases of 5%; (ii) a one-time lump sum bonus of \$1,800; (iii) a one-time lump sum payment of \$3,050,000 to the Joint Retiree Trust Fund; and (iv) reimbursement to the union of reasonable and necessary funeral expenses associated with a line of duty death, up to a maximum of \$75,000. The extension was ratified by IAFF members on or about February 1, 2024.

On December 8, 2023, the City and FOP Lodge No. 5 (Sheriff’s Office and Register of Wills (“ROW”)) entered into a one-year extension of the existing CBA, covering Fiscal Year 2025. It provides for (i) wage increases for Sheriffs of 4.5%; (ii) wage increases for ROW to match that of DC3 (i.e., 5.0%); (iii) a one-time lump sum bonus for members (\$1,500 for the Sheriffs and \$1,400 for ROW. For ROW, the wage increase and bonus were ratified on December 10, 2024.

The City and Steelworkers Local 286 agreed to the terms of a one-year extension (a 4.25% salary increase for Fiscal Year 2025, which will increase to 4.4%, and a \$1,300 bonus). Effective sixty (60) days after ratification, each permanent part-time employee received a bonus of \$650, consistent with the City’s practices and policies. Such agreement was ratified by the union members on June 1, 2024.

On June 17, 2024, an arbitration panel issued a one-year extension of the arbitration award for AFSCME DC 33 Local 159, which includes a 4.5% salary increase for Fiscal Year 2025 and a \$1,600 bonus. In another award, AFSCME DC 33 Local 159 received an additional 3% salary increase in exchange for civilianization changes (which is where the City engages non-bargaining unit personnel to perform work that has been performed by the bargaining unit).

On August 1, 2024, the City and AFSCME DC 47 agreed to the terms of a one-year extension (a 4.4% salary increase for Fiscal Year 2025 (and the last pay period of Fiscal Year 2024) and a \$1,400 bonus), which was ratified by the members on August 9, 2024. Effective thirty (30) days after ratification, the City paid a lump sum of \$850,000 to the DC 47 Health and Welfare Fund.

On August 1, 2024, the City and AFSCME DC 47 Local 810 (representing professional rank and file employees at the First Judicial District) and Local 2186 (representing first-level supervisor at the First Judicial District) agreed to the terms of a one-year extension (a 4.4% salary increase for Fiscal Year 2025 (and the last pay period of Fiscal Year 2024) and a \$1,400 bonus), which was ratified by the members on August 19, 2024.

On November 22, 2024, the City and AFSCME DC 33 agreed to the terms of a one-year extension (a 5.0% salary increase for Fiscal Year 2025 and a \$1,400 bonus), which was submitted to the members for ratification. On December 10, 2024, the agreement was ratified.

The costs of the labor agreements discussed above have been included in the City's five-year plans, as applicable. See "DISCUSSION OF FINANCIAL OPERATIONS – Current Financial Information" herein).

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

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

Uniformed employees of the Police Department and the Fire Department bargain under the Policemen and Firemen Collective Bargaining Act (Pa. P.L. 237, No. 111 (1968)) ("Act 111"), which provides for final and binding interest arbitration to resolve collective bargaining impasses and prohibits these employees from striking. Interest arbitration under Act 111 operates similarly to interest arbitration under PERA, but City Council is not permitted to reject the portions of an interest arbitration award that require legislative action. To the contrary, City Council is required to pass any legislation necessary to

implement the award unless doing so would violate state or federal law. Thus, the arbitration panel has significant, although not limitless, power to issue an award on mandatory subjects of bargaining. As with interest arbitration under PERA, the arbitration panel cannot issue an award on a matter that is one of inherent managerial policy. In addition to the grounds available to challenge a PERA interest arbitration award on appeal, the PICA Act requires an Act 111 interest arbitration panel to, among other things, give substantial weight to the City's five-year plan and ability to pay for the cost of the award without negatively impacting services, and gives the City the right to appeal the award to the Court of Common Pleas if it believes the panel has failed to meet these responsibilities. If the arbitration panel fails to do so or, among other things, if it awards wages or benefits that exceed what is assumed in the most-recent five-year plan without substantial evidence in the record demonstrating that the City can afford these increases without adversely impacting service levels, the Court of Common Pleas is required to vacate the arbitration award and remand it to the arbitration panel.

Overview of Employee Benefits

The City provides various pension, life insurance, and health benefits for its employees. The benefits offered depend on the employee's union status and bargaining unit, if applicable. Health equity and tackling the social determinants of health are the top priorities for the City's health plans. The City participated in an 18-month project with the Center for Disease Control ("CDC") to evaluate the effectiveness of benefits programming based upon established national standards. The City received the highest rating in this project and its participation created a road map for future health benefit improvements. General Fund employee benefit expenditures for Fiscal Years 2021 through 2025 are shown in Table 17.

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Table 17
General Fund Employee Benefit Expenditures
Fiscal Years 2021-2024 (Actual) and 2025 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD)⁽¹⁾

| | Actual 2021 | Actual 2022 | Actual 2023 | Actual 2024 | Adopted Budget 2025 | Current Estimate 2025 |
|---|-------------------------|--------------------------|-------------------------|-------------------------|------------------------------------|--------------------------------------|
| Pension Costs ⁽²⁾ | \$664.4 ⁽⁵⁾ | \$1,031.4 ⁽⁶⁾ | \$929.7 ⁽⁷⁾ | \$958.9 ⁽⁸⁾ | \$833.1 ⁽⁹⁾ | \$817.7 ⁽¹⁰⁾ |
| Health | | | | | | |
| Payments under City-administered plan | 81.2 | 91.9 | 90.3 | 108.2 | 152.9 | 152.9 |
| Payments under union-administered plans | <u>358.8</u> | <u>392.4</u> | <u>409.5</u> | <u>394.0</u> | <u>455.1</u> | <u>449.7</u> |
| Total Health | 440.0 | 484.3 | 499.8 | 502.2 | 608.0 | 602.6 |
| Federal Insurance Contributions Act (FICA) Taxes ⁽³⁾ | 81.5 | 81.9 | 89.1 | 98.0 | 101.7 | 101.7 |
| Other ⁽⁴⁾ | <u>84.4</u> | <u>92.4</u> | <u>107.3</u> | <u>104.3</u> | <u>134.3</u> | <u>134.4</u> |
| Total | <u>\$1,270.3</u> | <u>\$1,690.0</u> | <u>\$1,625.9</u> | <u>\$1,663.4</u> | <u>\$1,677.1</u> | <u>\$1,656.4</u> |

⁽¹⁾ Sources: The City's five-year financial plans and the City's Quarterly City Managers Reports. "Payments under City-administered plan" and "Payments under union-administered plans" were provided by the City, Department of Human Resources and the Budget Office. Figures may not sum due to rounding.

⁽²⁾ Includes debt service on Pension Bonds (as defined herein) and the Commonwealth contributions to the Municipal Pension Fund. See Tables 29 and 30.

⁽³⁾ Includes payments of social security and Medicare taxes.

⁽⁴⁾ Includes payments for unemployment compensation, employee disability, group life, group legal, tool allowance, and flex cash payments (and COVID-19 funeral expenses for Actual 2022 and Current Estimate 2023).

⁽⁵⁾ Includes \$55.2 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

⁽⁶⁾ Includes \$78.8 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

⁽⁷⁾ Includes \$92.1 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

⁽⁸⁾ Includes \$90.0 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

⁽⁹⁾ Assumes \$98.5 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

⁽¹⁰⁾ Assumes \$93.7 million from City Sales Tax revenues for the Municipal Pension Fund. See "REVENUES OF THE CITY – Sales and Use Tax."

Each of the City's four municipal unions sponsors its own health plan that provides medical, prescription, dental and optical benefits to participating employees and eligible retirees through trusts on which the City has varying degrees of minority representation. Exempt and non-represented employees, along with represented employees of the Register of Wills, certain employees represented by AFSCME DC 33, and employees represented by Steelworkers Local 286 who have chosen not to become members of the union's healthcare plan, receive health benefits through a plan sponsored and administered by the City. Each of the plans provides different benefits determined by the plan sponsor or through collective bargaining. To provide health care coverage, the City pays a negotiated monthly premium for employees covered by the union contract for AFSCME DC 33 and is self-insured for all other eligible employees. Aside from AFSCME DC 33, the City is responsible for the actual health care cost that is invoiced to the City's unions by their respective vendors. The actual cost can be a combination of self-insured claim expenses, premiums, ancillary services, and administrative expenses. In addition, employees who satisfy certain eligibility criteria receive five years of health benefits after their retirement. See "OTHER POST-EMPLOYMENT BENEFITS" below. Such benefits are determined and administered by the plan in which the employee participated at the time of his or her retirement. Other employee benefits, including life insurance and paid leave, are similarly determined by the respective CBAs, as well as City policies and Civil Service Regulations. Employees also participate in the Municipal Pension Plan. See "PENSION SYSTEM" below.

Overview of Current Labor Contract Settlements

Table 18 summarizes the current status of the contract settlements reached with the City’s major labor organizations, as well as changes that have been made for non-represented employees. It also provides a brief summary of pension reforms that have occurred since 2016, as part of previous labor contract settlements. Table 18 does not include exempt employees or employees from Steelworkers Local 286 (which as of February 28, 2025 totaled 4,148 and 680, respectively).

Table 18
Status of Arbitration Awards and Labor Contract Settlements

| <u>Organization</u> | <u>Authorized Number of Full- Time Citywide Employees Represented⁽¹⁾</u> | <u>Status of Arbitration Award or Contract Settlement</u> | <u>Wage Increases</u> | <u>Pension Reforms⁽²⁾</u> |
|--|---|---|--|---|
| FOP Lodge No. 5 (Police Department) | 5,494 | One-year contract extension effective July 1, 2024 | <ul style="list-style-type: none"> • 5.00% in Fiscal Year 2025 | <ul style="list-style-type: none"> • Current employees in Plan 87 or Plan 10 will pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect, varies by plan membership • Employees hired on or after 7/1/17 are required to pay an additional 2.5% of salary |
| FOP Lodge No. 5 (Sheriff’s Office and Register of Wills) | 297 | One-year contract extension effective July 1, 2024 | <u>Sheriff’s Office employees:</u> <ul style="list-style-type: none"> • 4.50% in Fiscal Year 2025 <u>Register of Wills employees:</u> <ul style="list-style-type: none"> • 5.00% in Fiscal Year 2025 | <ul style="list-style-type: none"> • Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 • Plan 10 is closed to new enrollment for members of Lodge 5 • DROP (as defined below) interest rate decreases from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll |
| IAFF Local 22 | 2,759 | One-year contract effective July 1, 2024 | <ul style="list-style-type: none"> • 5.00% in Fiscal Year 2025 | <ul style="list-style-type: none"> • Current employees in Plan 87 or Plan 10 will pay an additional .92% of salary effective 7/1/17, increasing by an additional .92% of salary effective 7/1/18 (total increase of 1.84%). These contributions are on top of the current 5% or 6% contribution rates in effect; varies by plan membership • Employees hired on or after 7/1/17 are required to pay an additional 2.5% of salary |
| AFSCME DC 33 | 7,601 | One-year contract extension effective July 1, 2024 | <ul style="list-style-type: none"> • 5.00% in Fiscal Year 2025 | <ul style="list-style-type: none"> • Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 • Plan 10 is closed to new enrollment for members of DC 33 • DROP interest rate decreases from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll |

⁽¹⁾ From data provided by the Department of Labor as of February 28, 2025.

⁽²⁾ “Plan 87,” “Plan 10,” and “Plan 16” referenced in this column are described in Table 19.

| <u>Organization</u> | <u>Authorized Number of Full-Time Citywide Employees Represented⁽¹⁾</u> | <u>Status of Arbitration Award or Contract Settlement</u> | <u>Wage Increases</u> | <u>Pension Reforms⁽²⁾</u> |
|--|--|---|---|--|
| AFSCME DC 33, Local 159 Correctional Officers | 1,392 | One-year contract extension effective July 1, 2024 | <ul style="list-style-type: none"> • 4.50% in Fiscal Year 2025 | <ul style="list-style-type: none"> • Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 • Plan 10 is closed to new enrollment for members of DC 33 • DROP interest rate decreases from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll |
| AFSCME DC 47 | 3,978 | One-year contract extension effective July 1, 2024 | <ul style="list-style-type: none"> • 4.40% in Fiscal Year 2025 | <ul style="list-style-type: none"> • Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019) • Plan 10 is closed to new enrollment for members of DC 47 (effective January 1, 2019) |
| AFSCME DC 47 Local 810 Court Employees | 407 | One-year contract extension effective July 1, 2024 | <ul style="list-style-type: none"> • 4.40% in Fiscal Year 2025 | <ul style="list-style-type: none"> • Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019) • Plan 10 is closed to new enrollment for members of DC 47 (effective January 1, 2019) |
| Non-Represented Employees | 1,224 | Changes for non-represented employees | <ul style="list-style-type: none"> • 4.40% in Fiscal Year 2025 | <ul style="list-style-type: none"> • Tiered contribution system for current employees under which employees who have higher salaries pay a higher percent of their salaries as contribution to the pension fund (effective January 1, 2019) • Mandatory stacked-hybrid plan for new hires under which employees receive a defined benefit pension for their first \$65,000 of earnings and a defined contribution pension for earnings above \$65,000 (effective January 1, 2019) • Previous 2011 reforms to DROP program remain in place; interest rate was decreased from 4.5% to the rate on the one-year treasury effective January 1 of each year for participants not currently enrolled or eligible to enroll and eligibility age remains increased by two years |

⁽¹⁾ From data provided by the Department of Labor as of February 28, 2025.

⁽²⁾ “Plan 87,” “Plan 10,” and “Plan 16” referenced in this column are described in Table 19.

Certain features of the 1987 Plan (“Plan 87”), the 2010 Plan (“Plan 10”), and the 2016 Plan (“Plan 16”) are summarized in Table 19. Plan 87 is solely a defined benefit plan. Plan 10 and Plan 16 are “hybrid” plans that include both defined benefit and defined contribution components. A more comprehensive summary of each plan is included as Appendix D of the July 1, 2024 Valuation (as defined herein). See “PENSION SYSTEM” below.

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

| Plan 87 | Normal Retirement Eligibility | Average Final Compensation (“AFC”) | Defined Benefit – Retirement Benefits Multiplier |
|---|--|--|--|
| Municipal (Plan Y) | Age 60 and 10 years of credited service ⁽¹⁾ | Average of three highest calendar or anniversary years | <ul style="list-style-type: none"> • (2.2% x AFC x years of service up to 10 years) plus (2.0% x AFC x numbers of years in excess of 10 years), subject to a maximum of 100% of AFC |
| Police and Fire | Age 50 and 10 years of credited service ⁽¹⁾ | Average of two highest calendar or anniversary years | <ul style="list-style-type: none"> • (2.2% x AFC x years of service up to 20 years) plus (2.0% x AFC x numbers of years in excess of 20 years), subject to a maximum of 100% of AFC |
| Elected Official (Plan L) | Age 55 and 10 years of credited service ⁽²⁾ | Average of three highest calendar or anniversary years | <ul style="list-style-type: none"> • 3.5% x AFC x years of service, subject to a maximum of 100% of AFC |
| Plan 10 | Normal Retirement Eligibility | Average Final Compensation (“AFC”) | Defined Benefit – Retirement Benefits Multiplier |
| Municipal | Age 60 and 10 years of credited service | Average of five highest calendar or anniversary years | <ul style="list-style-type: none"> • 1.25% x AFC x years of service up to 20 years |
| Police and Fire ⁽³⁾ | Age 50 and 10 years of credited service | Average of five highest calendar or anniversary years | <ul style="list-style-type: none"> • 1.75% x AFC x years of service up to 20 years |
| ----- | | | |
| Defined Contribution | | | |
| <ul style="list-style-type: none"> • The City matches employee contributions at a 50% rate, with the total City match not to exceed 1.5% of compensation for each year. • After five years of credited service, the full amount in the account is distributed to the employee when he or she separates from City service. • The right to the portion of the account attributable to City contributions does not vest until the completion of five years of credited service. | | | |
| Plan 16 | Normal Retirement Eligibility | Average Final Compensation (“AFC”) | Defined Benefit – Retirement Benefits Multiplier |
| Municipal | Age 60 and 10 years of credited service | Lesser of (i) AFC under Plan Y (of Plan 87) (which is the average of three highest calendar or anniversary years) or (ii) \$65,000 | <ul style="list-style-type: none"> • (2.2% x AFC x years of service up to 10 years) plus (2.0% x AFC x numbers of years in excess of 10 years), subject to a maximum of 100% of AFC |
| ----- | | | |
| Defined Contribution | | | |
| <ul style="list-style-type: none"> • Employees may voluntarily participate in the defined contribution portion; employee contributions vest immediately. • For employees with annual salaries above the cap, the City matches employee contributions at a 50% rate, with the total City match not to exceed 1.5% of compensation for each year (only if employee is contributing); the City’s matching contributions vest after five years of credited service. • The maximum annual employee contribution is \$20,500, excluding the City’s matching contributions. | | | |

⁽¹⁾ Five years of credited service for those who make additional contributions. See “PENSION SYSTEM – Pension System; Pension Board – Membership.”

⁽²⁾ The lesser of two full terms or eight years of credited service for those elected officials who make additional contributions. See “PENSION SYSTEM – Pension System; Pension Board – Membership.”

⁽³⁾ Under Plan 10 (Police and Fire), pension contributions freeze after 20 years. At such time and for each subsequent year, the employee’s pension payments remain fixed and the employee may no longer make pension contributions.

Purchase of Services

Table 20 shows the City's major purchase of services, which represents one of the major classes of expenditures from the General Fund. Table 20 shows contracted costs of the City for Fiscal Years 2021-2024 and the budgeted amounts and current estimates for Fiscal Year 2025.

Table 20
Purchase of Services in the General Fund
Fiscal Years 2021-2024 (Actual) and 2025 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD)^{(1), (7)}

| | Actual 2021 | Actual 2022 | Actual 2023 | Actual 2024 | Adopted Budget 2025 | Current Estimate 2025 |
|----------------------------------|------------------------|-------------------------|-------------------------|-------------------------|------------------------------------|--------------------------------------|
| Human Services ⁽²⁾ | \$123.4 | \$138.8 | \$151.0 | 178.6 | \$182.6 | \$183.3 |
| Public Health | 87.8 | 86.9 | 64.9 | 70.9 | 73.1 | 74.1 |
| Public Property ⁽³⁾ | 165.0 | 162.0 | 215.7 | 225.4 | 248.6 | 248.6 |
| Streets ⁽⁴⁾ | 67.2 | 60.4 | 70.7 | 59.9 | 62.4 | 62.4 |
| First Judicial District | 9.3 | 13.4 | 17.7 | 21.9 | 9.1 | 9.2 |
| Licenses & Inspections | 12.1 | 13.0 | 14.2 | 16.4 | 13.9 | 13.9 |
| Homeless Services ⁽⁵⁾ | 36.8 | 45.8 | 69.8 | 72.1 | 77.7 | 77.7 |
| Prisons | 95.2 | 97.9 | 108.4 | 120.1 | 119.8 | 128.1 |
| All Other ⁽⁶⁾ | 349.4 | 396.2 | 494.9 | 595.1 | 635.1 | 690.8 |
| Total | <u>\$946.2</u> | <u>\$1,014.4</u> | <u>\$1,207.3</u> | <u>\$1,360.4</u> | <u>\$1,422.3</u> | <u>\$1,488.1</u> |

⁽¹⁾ Sources: For Fiscal Years 2021-2024, the City's Supplemental Report of Revenues & Obligations for such Fiscal Years. For Fiscal Year 2025, the Fiscal Year 2025 Adopted Budget and the FY 2025 Third Quarter QCMR, as applicable.

⁽²⁾ Includes payments for care of dependent and delinquent children.

⁽³⁾ Includes payments for SEPTA, space rentals, and utilities.

⁽⁴⁾ Includes solid waste disposal costs.

⁽⁵⁾ Includes homeless shelter and boarding home payments.

⁽⁶⁾ Includes the Convention Center subsidy, payments for vehicle leasing, and debt service on lease and service agreement financings, among other things.

⁽⁷⁾ Figures may not sum due to rounding.

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City Payments to School District

Table 21 presents the City’s payments to the School District from the General Fund for Fiscal Years 2021-2024 and the budgeted amount and current estimate for Fiscal Year 2025.

Table 21
City Payments to School District
Fiscal Years 2021-2024 (Actual) and 2025 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD)⁽¹⁾

| | Actual 2021 | Actual 2022 | Actual 2023 | Actual 2024 | Adopted Budget 2025 | Current Estimate 2025 |
|----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------------------|--------------------------------------|
| City Payments to School District | \$252.6 | \$256.0 | \$270.0 | \$282.1 | \$284.1 | \$284.1 |

⁽¹⁾ Sources: For Fiscal Years 2021-2024, the City’s ACFRs for such Fiscal Years. For Fiscal Year 2025, the Fiscal Year 2025 Adopted Budget and the FY 2025 Third Quarter QCMR.

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

City Payments to Southeastern Pennsylvania Transportation Authority (SEPTA)

SEPTA operates a public transportation system within the City and Bucks, Chester, Delaware, and Montgomery counties. SEPTA’s operating budget is supported by federal, Commonwealth, and local subsidies, including payments from the City. Table 22 presents the City’s subsidy to SEPTA from the General Fund for Fiscal Years 2021-2024 and the budgeted amount and current estimate for Fiscal Year 2025.

Table 22
City Payments to SEPTA
Fiscal Years 2021-2024 (Actual) and 2025 (Adopted Budget and Current Estimate)
(Amounts in Millions of USD)⁽¹⁾

| | Actual 2021 | Actual 2022 | Actual 2023 | Actual 2024 | Adopted Budget 2025 | Current Estimate 2025 |
|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------------------|--------------------------------------|
| City Payment to SEPTA | \$84.6 | \$91.2 | \$100.7 | \$109.6 | \$133.3 | \$133.3 |

⁽¹⁾ Sources: For Fiscal Years 2021-2024, the City’s ACFRs for such Fiscal Years. For Fiscal Year 2025, the Fiscal Year 2025 Adopted Budget and the FY 2025 Third Quarter QCMR.

The City budgets operating subsidies each Fiscal Year to match the estimated operating subsidies of the Commonwealth under Act 89. The state operating subsidy is funded through the Pennsylvania Public Transportation Trust Fund as created by Act 44 of 2007, amended by Act 89 of 2013. The local match requirement is calculated to match state operating subsidies. In addition, local matching funds must be appropriated each Fiscal Year in which state funds are received in order for SEPTA to receive the full allocation of state funds. The Proposed Thirty-Fourth Five-Year Plan projects annual operating subsidy payments to SEPTA from the City will increase to approximately \$152.6 million by Fiscal Year 2030. For more information on SEPTA, see APPENDIX B – “TRANSPORTATION – Southeastern Pennsylvania Transportation Authority (SEPTA).”

City Payments to Convention Center Authority

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

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

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PENSION SYSTEM

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

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

Overview

The City faces significant ongoing financial challenges in meeting its pension obligations, including an unfunded actuarial liability ("UAL") of approximately \$4.55 billion as of July 1, 2024. In Fiscal Year 2024, the City's contribution to the Municipal Pension Fund was approximately \$948.7 million, of which the General Fund's share (including the Commonwealth contribution) was \$778.8 million. See Table 29. With respect to the General Fund budget, the City's aggregate pension costs (consisting of payments to the Municipal Pension Fund and debt service on the Pension Bonds (as defined herein)) have ranged from a low of approximately 12.44% to a high of approximately 17.74% in Fiscal Years 2015-2024. See Table 31.

The funded ratio of the Municipal Pension Plan (i) was 76.7% on July 1, 1999 (at which time the UAL was approximately \$1.4 billion), (ii) was 44.8% funded on July 1, 2016, and (iii) as a result of the steps to improve the Municipal Pension Fund listed below, was 65.4% on July 1, 2024 (at which time the UAL was approximately \$4.55 billion). These metrics are the product of a number of factors, including the following:

- The City and its actuary monitor the changes in the fixed income and equity markets, the potential impact negative investment returns may have for the Municipal Pension System's assets, and the related impact on future City contributions to the Municipal Pension System. The actual investment return rate for Fiscal Year 2024 is reflected in the July 1, 2024 Valuation.
- A reduction in the assumed rate of return, from 8.75% as of July 1, 2008, to 7.30% effective July 1, 2024 (i.e., Fiscal Year 2025). The Pension Board also approved a further reduction in the assumed rate of return from 7.30% to 7.25% effective July 1, 2025 (Fiscal Year 2026). Although the gradual reductions in the assumed rates of return reflected in Table 24 are considered a prudent response to market conditions and experience studies, by reducing the assumed return in the measurement of the actuarial liabilities, it serves to increase the UAL from what it otherwise would have been.

- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary.
- The Municipal Pension Plan is a mature system, which means the number of members making contributions to the Municipal Pension Plan is less than the number of retirees and other beneficiaries receiving payments from the Municipal Pension Plan. See Table 23. It would typically be expected that the aggregate of member contributions and the City's contributions would be less than the amount of benefits and refunds payable in most years, with the result that in such years investment income must be relied upon to meet such difference before such income can contribute to an increase in the Municipal Pension System's assets growth.

Over the last five years, the aggregate of member contributions and the City's contribution have exceeded the amount of benefits and refunds payable in such Fiscal Years. This is, in part, the result of the City's adoption of the Revenue Recognition Policy or RRP, as described below. See Table 26.

- The determination by the City, commencing in Fiscal Year 2005, to fund in accordance with the "minimum municipal obligation" ("MMO"), as permitted and as defined by Pennsylvania law, in lieu of the City Funding Policy (as defined herein), resulted in the City contributing less than otherwise would have been contributed. As noted above, the City's adoption of the Revenue Recognition Policy or RRP has resulted in higher City contributions. See below, "– Funding Requirements; Funding Standards."
- Revising, in Fiscal Year 2009, in accordance with Pennsylvania law, the period over which the UAL was being amortized, such that the UAL as of July 1, 2009 was "fresh started" to be amortized over a 30-year period ending June 30, 2039. In addition, changes were made to the periods over which actuarial gains and losses and assumption changes were amortized under Pennsylvania law. See "– UAL and its Calculation – Actuarial Valuations."

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

- Reducing the assumed rate of return on a gradual and consistent basis, which results in the City making larger annual contributions. See Table 24.
- Adopting more conservative mortality rates in response to experience studies performed by the Municipal Pension Plan actuary reducing the potential for future experience losses due to mortality experience.
- Changing from a level percent of pay amortization schedule to a level dollar amortization schedule, in conjunction with the revisions to the amortization periods that occurred in Fiscal Year 2009. This results in producing payments that ensure that a portion of principal on the UAL is paid each year.
- Funding consistently an amount greater than the MMO. See Table 29.
- Entering into CBAs by which additional contributions are being made (and will be made) by certain current (and future) members and by which benefits will be capped for certain future members of the Municipal Pension Plan. See Table 18.

- Securing additional funding, including funds required to be deposited by the City to the Municipal Pension Fund from its share of sales tax revenue commencing in Fiscal Year 2016.
- Adopting a Revenue Recognition Policy or RRP (as defined and described below), commencing in Fiscal Year 2018, by which sources of anticipated additional revenue that will be received by the Municipal Retirement System are specifically dedicated toward paying down the unfunded pension liability and not to reducing future costs of the City. The additional revenue is tracked and accumulated in a notional account, which is then deducted from the Actuarial Asset Value to determine the contribution under the Revenue Recognition Policy. As a result, such contribution is higher than the MMO.
- Changing the investment strategy to increase the use of passive investment vehicles, which has resulted in increased returns and decreased fees.

As a result of (i) pension reforms adopting a defined benefit plan capped at \$65,000 for new municipal employees, along with increased employee contributions, (ii) a portion of the sales tax dedicated to paying down the UAL, (iii) the various other reforms mentioned above, and (iv) the City making contributions in excess of MMO and in some years in excess of RRP, the funded ratio of the Municipal Pension Plan increased 20.4% from 45.0% in Fiscal Year 2015 to 65.4% in Fiscal Year 2024 while the UAL decreased \$1.39 billion from \$5.94 billion in Fiscal Year 2015 to \$4.55 billion in Fiscal Year 2024. See Table 27. The Municipal Pension Fund had a positive cash flow, excluding investment returns, for Fiscal Years 2020-2024 (see “– Rates of Return; Asset Values; Changes in Plan Net Position – Changes in Plan Net Position” and Table 26).

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

Pension System; Pension Board

The City maintains two defined-benefit pension programs and a hybrid defined-benefit/defined-contribution plan, which are (i) the Municipal Pension Plan, a single employer plan, which provides benefits to police officers, firefighters, non-uniformed employees, and non-represented appointed and elected officials; (ii) a hybrid defined-benefit/defined-contribution for non-uniformed municipal employees hired after 2016; and (iii) the PGW Pension Plan, a single employer plan, which provides benefits to PGW employees. The Municipal Pension Plan is administered through nine (9) benefit plans with 21 separate contribution rates, the funding for which is accounted for on a consolidated basis by the Municipal Pension Fund.

Such benefit structures establish for their respective members different contribution levels, retirement ages, etc., but all assets are available to pay benefits to all members of the Municipal Pension Plan. The Municipal Pension Plan is a mature plan, initially established in 1915, with net investment assets that totaled approximately \$8.6 billion as of June 30, 2024. The Municipal Pension Plan has 27,479 members who make contributions to the plan and provides benefits to 37,627 retirees and other beneficiaries including terminated vested members.

PGW is principally a gas distribution facility owned by the City. For accounting presentation purposes, PGW is a component unit of the City and follows accounting rules as they apply to proprietary fund-type activities. The PGW Pension Plan is funded with contributions by PGW to such plan, which

are treated as an operating expense of PGW, and such plan is not otherwise addressed under the caption “PENSION SYSTEM.” See “PGW PENSION PLAN” below.

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

The City of Philadelphia Board of Pensions and Retirement (the “Pension Board”) was established by the City Charter to administer “a comprehensive, fair and actuarially sound pension and retirement system covering all officers and employees of the City.” The City Charter provides that the Pension Board “shall consist of the Director of Finance, who shall be its chairman, the Managing Director, the City Controller, the City Solicitor, the Personnel Director and four other persons who shall be elected to serve on the Board by the employees in the civil service in such manner as shall be determined by the Board.” In addition, there is one non-voting member on the Pension Board, who is appointed by the President of City Council. An Executive Director, together with a budgeted staff of 72 personnel, administers the day-to-day activities of the retirement system, providing services to 65,106 members.

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

Membership. Table 23 shows the membership totals for the Municipal Pension Plan, as of July 1, 2024 and as compared to July 1, 2023.

Table 23
Municipal Pension Plan – Membership Totals

| | July 1, 2024 | July 1, 2023 | % Change |
|--|---------------------|---------------------|-----------------|
| Actives | 27,479 | 26,646 | 3.1% |
| Terminated Vesteds | 665 | 781 | -14.9% |
| Disabled | 3,730 | 3,758 | -0.7% |
| Retirees | 22,515 | 22,409 | 0.5% |
| Beneficiaries | 8,615 | 8,565 | 0.6% |
| Deferred Retirement Option Plan (“DROP”) | <u>2,102</u> | <u>2,210</u> | -4.9% |
| Total City Members | 65,106 | 64,369 | 1.1% |
| Annual Salaries | \$2,118,480,484 | \$1,993,014,337 | 6.3% |
| Average Salary per Active Member | 77,095 | 74,796 | 3.1% |
| Annual Retirement Allowances | \$872,374,925 | \$848,128,541 | 2.9% |
| Average Retirement Allowance | \$25,025 | \$24,419 | 2.5% |

Source: July 1, 2024 Valuation.

As shown in Table 23, total membership in the Municipal Pension Plan increased by 1.1%, or from 64,369 to 65,106 members, from July 1, 2023 to July 1, 2024, including an increase of 3.1% in active members from 26,646 to 27,479 (who were contributing to the Municipal Pension Fund). Of the 65,106 members as of July 1, 2024, 37,627 were retirees, beneficiaries, disabled, and other members (who were withdrawing from, or not contributing to, the Municipal Pension Fund).

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

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

Certain membership information relating to the City's municipal retirement system provided by the Pension Board is set forth in Appendix A to the July 1, 2024 Actuarial Valuation Report (the "July 1, 2024 Valuation") and includes as of July 1, 2024, among other information, active and non-active member data by plan, age/service distribution for active participants and average salary for all plans, and age and benefit distributions for non-active member data.

Funding Requirements; Funding Standards

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

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

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

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

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

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

The City, prior to Fiscal Year 2005, had been funding the Municipal Pension Fund in accordance with what the City referred to as the “City Funding Policy.” That reference was used and continues to be used in the Actuarial Reports. Under the City Funding Policy, the UAL as of July 1, 1985, was to be amortized over 34 years ending June 30, 2019, with payments increasing at 3.3% per year, the assumed payroll growth. This initial UAL base under the City’s Funding Policy has now been fully amortized. Other changes in the unfunded actuarial liability were amortized in level-dollar payments over various periods as prescribed in Act 205. In 1999, the City issued pension funding bonds, the proceeds of which

were deposited directly into the Municipal Pension Fund to pay down its UAL. See “– Annual Contributions – *Annual Debt Service Payments on the Pension Bonds*” below.

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

The amounts projected by the City in the Proposed Thirty-Fourth Five-Year Plan (or with respect to Fiscal Year 2025, the FY 2025 Third Quarter QCMR) to be deposited from Sales Tax revenue into the Municipal Pension Fund, for Fiscal Years 2025-2030, respectively, are as follows: (i) \$93.7 million; (ii) \$102.0 million; (iii) \$110.6 million; (iv) \$119.1 million; (v) \$127.8 million; and (vi) \$135.3 million.

UAL and its Calculation

According to the July 1, 2024 Valuation, the funded ratio (the valuation of assets available for benefits to total actuarial liability) of the Municipal Pension Fund as of July 1, 2024 was 65.4% and the Municipal Pension Fund had an unfunded actuarial liability (“UAL”) of \$4.55 billion. The UAL is the difference between total actuarial liability (\$13.13 billion as of July 1, 2024) and the actuarial value of assets (\$8.58 billion as of July 1, 2024).

Key Actuarial Assumptions. In accordance with Act 205, the actuarial assumptions must be, in the judgment of both Cheiron (the independent consulting actuary for the Municipal Pension Fund) and the Pension Board, “the best available estimate of future occurrences in the case of each assumption.” The assumed investment return rate used in the July 1, 2024 Valuation was 7.30% a year, net of investment expenses, compounded annually. For the prior actuarial valuation, the assumed investment return rate was 7.35%. See Table 24 for the assumed rates of return for Fiscal Years 2015 to 2024. The 7.35% was used to establish the MMO payment for Fiscal Year 2025 and 7.30% will be used to establish the MMO payment for Fiscal Year 2026.

Other key actuarial assumptions in the July 1, 2024 Valuation include the following: (i) total annual payroll growth of 3.30%, (ii) annual administrative expenses assumed to increase 3.30% per year, (iii) to recognize the expense of the benefits payable under the Pension Adjustment Fund (as described below), actuarial liabilities were increased by 0.54%, based on the statistical average expected value of the benefits, (iv) a vested employee who terminates will elect a pension deferred to service retirement age so long as their age plus years of service at termination are greater than or equal to 55 (45 for police and fire employees in the 1967 Plan), (v) for municipal and elected members, 65% of all disabilities are ordinary and 35% are service-connected, (vi) for police and fire members, 25% of all disabilities are ordinary and 75% are service-connected, and (vii) 70% of active members and 40% of non-active members are assumed to be married with male spouses assumed to be four-years older than female spouses. For a complete description of the actuarial assumptions, including the decrement tables used (ie: mortality, retirement, termination, and disability), see Appendix C of the July 1, 2024 Valuation.

“Smoothing Methodology”. The Municipal Retirement System uses an actuarial value of assets to calculate its annual pension contribution, using an asset “smoothing method” to dampen the volatility in asset values that could occur because of fluctuations in market conditions. The Municipal Retirement System used a five-year smoothing prior to Fiscal Year 2009, and beginning with Fiscal Year 2009 began employing a ten-year smoothing. Using the ten-year smoothing methodology, investment returns in excess of or below the assumed rate are prospectively distributed in equal amounts over a ten-year period, subject to the requirement that the actuarial value of assets will be adjusted, if necessary, to ensure that the actuarial value of assets will never be less than 80% of the market value of the assets, nor greater than 120% of the market value of the assets. The actuarial value of assets as of July 1, 2024, was approximately 100.3% of the market value of the assets, as compared to 102.3% as of July 1, 2023.

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

Act 205 further requires that an experience study be conducted at least every four years, and cover the five-year period ending as of the end of the plan year preceding the plan year for which the actuarial valuation report is filed. An experience study was prepared by Cheiron in March 2022 for the period July 1, 2016 – June 30, 2021 (the “Experience Study”). The actuarial and demographic assumptions that were adopted by the Pension Board in response to such Experience Study remained in effect for the July 1, 2024 Valuation (which was used to determine the June 30, 2026 fiscal year end MMO, City Funding Policy, and Revenue Recognition Policy contributions). Details of the assumption changes and the experience of the Municipal Pension Plan can be found in the *City of Philadelphia Municipal Retirement System Experience Study Results for the period covering July 1, 2016 – June 30, 2021*. Such Experience Study can be found on the City’s website under the section for the Board of Pensions and Retirement and the reports included therein.

Pension Adjustment Fund

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

increases to retirees or beneficiaries. At the time the PAF was established, distributions from the PAF were subject to the restriction that the actuarial funded ratio using the “adjusted market value of assets” be not less than such ratio as of July 1, 1999 (76.7%). That restriction was deleted in 2007.

The amount to be credited to the PAF is 50% of the “excess earnings” that are between one percent (1%) and six percent (6%) above the actuarial assumed investment rate. Earnings in excess of six percent (6%) of the actuarial assumed investment rate remain in the Municipal Pension Fund. Although the Pension Board utilizes a ten-year smoothing methodology, as explained above, for the actuarial valuation of assets for funding and determination of the MMO, § 22-311 provides for a five-year smoothing to determine the amount to be credited to the PAF.

The actuary determined that for the Fiscal Year ended June 30, 2024, there were no “excess earnings” as defined to be credited to the PAF. The Pension Board transfers to the PAF the full amount calculated by the actuary as being available in any year for transfer within six months of the Pension Board designating the amount to be transferred.

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

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

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

Rates of Return. Table 24 sets forth for the Fiscal Years 2015-2024 the market value of assets internal rate of return and actuarial value of assets internal rate of return experienced by the Municipal Pension Fund, and the assumed rate of return. The 5-year and 10-year annual average returns as of June 30, 2024, were 7.39% and 6.09% respectively, on a market value basis.

Table 24
Municipal Pension Fund
Annual Rates of Return

| <u>Year Ending</u> <u>June 30,</u> | <u>Market Value</u> | <u>Actuarial Value</u> ⁽¹⁾ | <u>Assumed Rate of Return</u> |
|---------------------------------------|---------------------|---------------------------------------|-------------------------------|
| 2015 | 0.3% | 5.8% | 7.80% |
| 2016 | -3.2% | 4.5% | 7.75% |
| 2017 | 13.1% | 4.4% | 7.70% |
| 2018 | 9.0% | 5.1% | 7.65% |
| 2019 | 5.7% | 7.6% | 7.60% |
| 2020 | 1.5% | 6.5% | 7.55% |
| 2021 | 28.4% | 6.3% | 7.50% |
| 2022 | -6.5% | 7.7% | 7.45% |
| 2023 | 8.1% | 6.5% | 7.40% |
| 2024 | 8.4% | 6.3% | 7.35% |

Source: July 1, 2024 Valuation.

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

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Asset Values. Table 25 sets forth, as of the July 1 actuarial valuation date for the years 2015-2024, the actuarial and market values of assets in the Municipal Pension Fund and the actuarial value as a percentage of market value.

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

| Actuarial Valuation Date (July 1) | Actuarial Value of Assets ⁽¹⁾ | Market Value of Net Assets ⁽¹⁾ | Actuarial Value as a Percentage of Market Value |
|---|---|--|---|
| 2015 | \$4,863.4 | \$4,636.1 | 104.9% |
| 2016 | \$4,936.0 | \$4,350.8 | 113.5% |
| 2017 | \$5,108.6 | \$4,873.0 | 104.8% |
| 2018 | \$5,397.4 | \$5,340.1 | 101.1% |
| 2019 | \$5,852.5 | \$5,687.2 | 102.9% |
| 2020 | \$6,242.7 | \$5,781.6 | 108.0% |
| 2021 | \$6,633.1 | \$7,348.5 | 90.3% |
| 2022 | \$7,176.1 | \$6,905.5 | 103.9% |
| 2023 | \$7,979.2 | \$7,800.9 | 102.3% |
| 2024 | \$8,583.2 | \$8,558.4 | 100.3% |

Source: July 1, 2024 Valuation for Actuarial Value of Assets; 2015-2024 Actuarial Reports for Market Value of Net Assets.

⁽¹⁾ For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2024 equaled \$7.8 million. The Actuarial Value of Assets excludes that portion of the Municipal Pension Fund that is allocated to the PAF. The actuarial values reflect a ten-year smoothing.

Changes in Plan Net Position. Table 26 sets forth, for Fiscal Years 2020-2024, the additions, including employee (member) contributions, City contributions (including contributions from the Commonwealth), investment income and miscellaneous income, and deductions, including benefit payments and administration expenses, for the Municipal Pension Fund. Debt service payments on pension funding bonds (as described below at “Annual Contributions – *Annual Debt Service Payments on the Pension Bonds*”) are made from the City’s General Fund, Water Operating Fund, and Aviation Operating Fund, but are not made from the Municipal Pension Fund, and therefore are not included in Table 26. In those years in which the investment income is less than anticipated, the Municipal Pension Fund may experience negative changes (total deductions greater than total additions). If unrealized gains are excluded from the calculation, resulting in a comparison of cash actually received against actual cash outlays, it could result in a negative cash flow in some Fiscal Years, which is typical of a mature retirement system. However, in Fiscal Years 2020-2024, there was a positive cash flow.

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

Employee (member) contribution amounts reflect contribution rates as a percent of pay, which for the plan year beginning July 1, 2024, vary from 6.00% to 8.50% for police and fire employees, and from 2.61% to 7.00% for municipal employees excluding elected officials. These rates include the increases

for police employees effective July 1, 2017, resulting from the FOP Lodge No. 5 and IAFF Local No. 22 Labor Contracts. Such contracts increased member contributions for current police officers in Plan 87 and Plan 10 by 0.92% effective July 1, 2017, and an additional 0.92% effective July 1, 2018. For new police officers and fire fighters hired or rehired on or after July 1, 2017, the member contribution rate is increased by 2.5% over the rate which would otherwise be in effect as of July 1, 2017. The rates also include the increases in contributions for certain municipal employees and elected officials currently in Plans 67, 87 and 87 Prime and elected officials as required by legislation. This legislation called for employees in these groups to pay an additional 0.5% of compensation from January 1, 2015 to December 31, 2015 and an additional 1.0% from January 1, 2016 onwards. New employees in these groups entering Plan 87 Municipal Prime will pay an additional 1.0% of compensation, which is included in Table 26. Finally, these rates do not include the additional tiered contributions paid by current and future municipal employees based on their level of compensation.

Table 26
Changes in Net Position of the Municipal Pension Fund
Fiscal Years 2020-2024
(Amounts in Thousands of USD)

| | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|---|-----------------|----------------|----------------|----------------|-----------------|
| Beginning Net Assets (Market Value) ⁽¹⁾ | \$5,688,383 | \$5,782,891 | \$7,424,983 | \$6,939,834 | \$7,808,089 |
| Additions | | | | | |
| - Member Contributions | 111,825 | 111,273 | 110,447 | 120,691 | 127,355 |
| - City Contributions ⁽²⁾ | 768,721 | 788,483 | 859,787 | 1,164,974 | 948,686 |
| - Investment Income ⁽³⁾ | 85,228 | 1,642,217 | (480,676) | 568,995 | 657,228 |
| - Miscellaneous Income ⁽⁴⁾ | <u>1,923</u> | <u>1,273</u> | <u>913</u> | <u>1,962</u> | <u>1,730</u> |
| Total | \$967,697 | \$2,543,246 | \$490,471 | \$1,856,622 | \$1,734,999 |
| Deductions | | | | | |
| - Benefits and Refunds | (862,198) | (891,445) | (966,686) | (979,429) | (966,848) |
| - Administration | <u>(10,991)</u> | <u>(9,709)</u> | <u>(8,933)</u> | <u>(8,938)</u> | <u>(10,033)</u> |
| Total | \$(873,189) | \$(901,154) | \$(975,619) | \$(988,367) | \$(976,881) |
| Ending Net Assets (Market Value) | \$5,782,891 | \$7,424,983 | \$6,939,834 | \$7,808,089 | \$8,566,208 |

Source: Municipal Pension Fund's audited financial statements.

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

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

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

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

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Funded Status of the Municipal Pension Fund

Tables 27 and 28 set forth, as of the July 1 actuarial valuation date for the years 2015-2024, the asset value, the actuarial liability, the UAL, the funded ratio, covered payroll and UAL, as a percentage of covered payroll for the Municipal Pension Fund on actuarial and market value bases, respectively.

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

| Actuarial Valuation Date (July 1) | Actuarial Value of Assets (a) | Actuarial Liability (b) | UAL (Actuarial Value) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAL as a % of Covered Payroll [(b-a)/c] |
|--|--|--|--|-----------------------------------|------------------------------------|--|
| 2015 | \$4,863.4 | \$10,800.4 | \$5,937.0 | 45.0% | \$1,597.8 | 371.6% |
| 2016 | \$4,936.0 | \$11,024.8 | \$6,088.8 | 44.8% | \$1,676.5 | 363.2% |
| 2017 | \$5,108.6 | \$11,275.7 | \$6,167.1 | 45.3% | \$1,744.7 | 353.5% |
| 2018 | \$5,397.4 | \$11,521.0 | \$6,123.5 | 46.8% | \$1,805.4 | 339.2% |
| 2019 | \$5,852.5 | \$11,783.1 | \$5,930.6 | 49.7% | \$1,842.6 | 321.9% |
| 2020 | \$6,242.7 | \$12,038.1 | \$5,795.4 | 51.9% | \$1,921.2 | 301.7% |
| 2021 | \$6,633.1 | \$12,074.0 | \$5,441.0 | 54.9% | \$1,886.5 | 288.4% |
| 2022 | \$7,176.1 | \$12,448.4 | \$5,272.3 | 57.6% | \$1,921.1 | 274.4% |
| 2023 | \$7,979.2 | \$12,821.4 | \$4,842.2 | 62.2% | \$1,993.0 | 243.0% |
| 2024 | \$8,583.2 | \$13,133.7 | \$4,550.5 | 65.4% | \$2,118.5 | 214.8% |

Source: July 1, 2024 Valuation.

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

| Actuarial Valuation Date (July 1) | Market Value of Net Assets⁽¹⁾ (a) | Actuarial Liability (b) | UAL (Market Value) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAL as a % of Covered Payroll [(b-a)/c] |
|--|---|--|---|-----------------------------------|------------------------------------|--|
| 2015 | \$4,636.1 | \$10,800.4 | \$6,164.3 | 42.9% | \$1,597.8 | 385.8% |
| 2016 | \$4,350.8 | \$11,024.8 | \$6,674.0 | 39.5% | \$1,676.5 | 398.1% |
| 2017 | \$4,873.0 | \$11,275.7 | \$6,402.7 | 43.2% | \$1,744.7 | 367.0% |
| 2018 | \$5,340.1 | \$11,521.0 | \$6,180.9 | 46.4% | \$1,805.4 | 342.4% |
| 2019 | \$5,687.2 | \$11,783.1 | \$6,095.9 | 48.3% | \$1,842.6 | 330.8% |
| 2020 | \$5,781.6 | \$12,038.1 | \$6,256.5 | 48.0% | \$1,921.2 | 325.7% |
| 2021 | \$7,348.5 | \$12,074.0 | \$4,725.5 | 60.9% | \$1,886.5 | 250.5% |
| 2022 | \$6,905.5 | \$12,448.4 | \$5,542.9 | 55.5% | \$1,921.1 | 288.5% |
| 2023 | \$7,800.9 | \$12,821.4 | \$5,020.5 | 60.8% | \$1,993.0 | 251.9% |
| 2024 | \$8,558.4 | \$13,133.7 | \$4,575.3 | 65.2% | \$2,118.5 | 216.0% |

Source: 2015-2024 Actuarial Valuation Reports.

- ⁽¹⁾ For purposes of this table, the Market Value of Net Assets excludes the PAF, which as of June 30, 2015 equaled \$38.2 million ; as of June 30, 2016 equaled \$7.2 million; as of June 30, 2017 equaled \$1.1 million; as of June 30, 2018 equaled \$1.2 million; as of June 30, 2019 equaled \$1.2 million; as June 30, 2020 equaled \$1.2 million; as June 30, 2021 equaled \$76.5 million; as June 30, 2022 equaled \$34.3 million; as June 30, 2023 equaled \$7.2 million; and as June 30, 2024 equaled \$7.8 million.

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Annual Contributions

Annual Municipal Pension Contributions

Table 29 shows the components of the City's annual pension contributions to the Municipal Pension Fund for the Fiscal Years 2015-2024.

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

| Fiscal Year | General Fund Contribution (A) | Commonwealth Contribution (B) | Aggregate General Fund Contribution (A+B) | Water Fund Contribution | Aviation Fund Contribution | Grants Funding and Other Funds Contribution ⁽¹⁾ | Contributions from Quasi-governmental Agencies | Pension Bond Proceeds | Total Contribution (C) | MMO (D) | MMO (Deferred) Makeup Payments | % of MMO Contributed (C/D) |
|-------------|-------------------------------|-------------------------------|---|-------------------------|----------------------------|--|--|-----------------------|------------------------|---------|--------------------------------|----------------------------|
| 2015 | \$388.5 | \$62.0 | \$450.5 | \$48.3 | \$23.9 | \$33.4 | \$21.1 | \$0.0 | \$577.2 | \$556.0 | - | 103.8% |
| 2016 | \$449.6 | \$62.6 | \$512.2 | \$55.1 | \$27.1 | \$34.8 | \$31.0 | \$0.0 | \$660.2 | \$595.0 | - | 111.0% |
| 2017 | \$487.0 | \$68.7 | \$555.7 | \$61.0 | \$28.8 | \$33.3 | \$27.4 | \$0.0 | \$706.2 | \$629.6 | - | 112.2% |
| 2018 | \$559.7 | \$72.4 | \$632.1 | \$62.7 | \$28.8 | \$32.5 | \$25.9 | \$0.0 | \$782.0 | \$661.3 | - | 118.3% |
| 2019 | \$567.7 | \$74.8 | \$642.5 | \$64.7 | \$31.6 | \$33.8 | \$25.2 | \$0.0 | \$797.8 | \$668.3 | - | 119.4% |
| 2020 | \$545.1 | \$82.0 | \$627.1 | \$71.6 | \$34.0 | \$14.6 | \$21.4 | \$0.0 | \$768.7 | \$675.8 | - | 113.7% |
| 2021 | \$558.5 | \$81.3 | \$639.8 | \$81.2 | \$34.7 | \$12.5 | \$20.3 | \$0.0 | \$788.5 | \$673.9 | - | 117.0% |
| 2022 | \$671.9 | \$79.3 | \$751.2 | \$59.0 | \$21.8 | \$12.6 | \$15.2 | \$0.0 | \$859.8 | \$678.2 | - | 126.8% |
| 2023 | \$939.2 | \$84.2 | \$1,023.4 | \$57.8 | \$22.2 | \$44.4 | \$17.2 | \$0.0 | \$1,165.0 | \$664.1 | - | 175.4% |
| 2024 | \$684.5 | \$94.3 | \$778.8 | \$60.8 | \$24.4 | \$63.8 | \$20.9 | \$0.0 | \$948.7 | \$671.7 | - | 141.2% |

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

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Annual Debt Service Payments on the Pension Bonds

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

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

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

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

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

As discussed herein, the City has a balloon payment due on the Pension Bonds in Fiscal Year 2029, which is the largest payment due on such bonds, but not the final maturity. For more information on the debt service requirements for the Pension Bonds and other debt of the City, see Table 42 herein. The City has included this balloon payment in its five-year plans.

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Table 30 shows the components of the City’s annual debt service payments on the Pension Bonds for the Fiscal Years 2015-2024.

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

| Fiscal Year | General Fund Payment | Water Fund Payment | Aviation Fund Payment | Other Funds Payment ⁽¹⁾ | Grants Funding | Total Payment |
|---------------------|----------------------|--------------------|-----------------------|------------------------------------|----------------|---------------|
| 2015 | \$107.7 | \$12.6 | \$5.9 | \$0.8 | \$4.0 | \$131.0 |
| 2016 | \$109.9 | \$13.7 | \$6.4 | \$0.9 | \$3.8 | \$134.7 |
| 2017 | \$109.5 | \$14.5 | \$6.6 | \$0.9 | \$3.3 | \$134.8 |
| 2018 | \$110.1 | \$14.3 | \$6.3 | \$0.9 | \$3.1 | \$134.7 |
| 2019 | \$109.8 | \$14.2 | \$6.6 | \$1.1 | \$3.0 | \$134.7 |
| 2020 | \$110.1 | \$15.7 | \$7.1 | \$1.2 | \$0.6 | \$134.7 |
| 2021 ⁽²⁾ | \$28.4 | \$4.5 | \$1.9 | \$0.3 | \$0.5 | \$35.6 |
| 2022 ⁽²⁾ | \$91.7 | \$8.5 | \$3.1 | \$0.5 | \$0.9 | \$104.7 |
| 2023 | \$111.0 | \$10.8 | \$4.1 | \$0.7 | \$7.5 | \$134.1 |
| 2024 | \$121.0 | \$12.5 | \$5.0 | \$4.6 | \$9.0 | \$152.1 |

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

⁽²⁾ For more information on debt service payments on Pension Bonds issued in April 2021, which decreased debt service in 2021 and 2022, see “– *Annual Debt Service Payments on the Pension Bonds*” above.

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Annual Pension Costs of the General Fund

Table 31 shows the annual pension costs of the General Fund for the Fiscal Years 2015-2024, being the sum of the General Fund Contribution to the Municipal Pension Fund (column (A) in Table 29) and the General Fund debt service payments on Pension Bonds (Table 30).

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

| Fiscal Year | General Fund Pension Fund Contribution (A) ⁽¹⁾ | General Fund Pension Bond Debt Service Payment (B) | Annual Pension Costs (A+B) | Total General Fund Expenditures (C) | General Fund portion of Annual Pension Costs as % of Total General Fund Expenditures $\frac{(A+B)}{C}$ |
|-------------|---|--|----------------------------|-------------------------------------|--|
| 2015 | \$388.5 | \$107.7 | \$496.2 | \$3,831.5 | 12.95% |
| 2016 | \$449.6 | \$109.9 | \$559.5 | \$4,015.8 | 13.93% |
| 2017 | \$487.0 | \$109.5 | \$596.5 | \$4,139.8 | 14.41% |
| 2018 | \$559.7 | \$110.1 | \$669.8 | \$4,402.9 | 15.21% |
| 2019 | \$567.7 | \$109.8 | \$677.5 | \$4,772.4 | 14.20% |
| 2020 | \$545.1 | \$110.1 | \$655.2 | \$5,036.5 | 13.01% |
| 2021 | \$558.5 | \$28.4 | \$586.9 | \$4,717.8 | 12.44% |
| 2022 | \$671.9 | \$91.7 | \$763.6 | \$5,338.5 | 14.30% |
| 2023 | \$939.2 | \$111.0 | \$1,050.2 | \$5,918.4 | 17.74% |
| 2024 | \$684.5 | \$121.0 | \$805.5 | \$6,134.7 | 13.13% |

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

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Table 32 shows the annual City contribution to the Municipal Pension Fund as a percentage of the covered employee payroll.

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

| <u>Fiscal Year</u> | <u>Annual City Contribution</u> | <u>Fiscal Year Covered Employee Payroll⁽¹⁾</u> | <u>ACC as % of Payroll</u> |
|--------------------|---------------------------------|---|----------------------------|
| 2015 | \$577,195 | \$1,597,849 | 36.12% |
| 2016 | \$660,247 | \$1,676,549 | 39.38% |
| 2017 | \$706,237 | \$1,744,728 | 40.48% |
| 2018 | \$781,984 | \$1,805,400 | 43.31% |
| 2019 | \$797,806 | \$1,842,555 | 43.30% |
| 2020 | \$768,721 | \$1,921,217 | 40.01% |
| 2021 | \$788,483 | \$1,886,512 | 41.80% |
| 2022 | \$859,787 | \$1,921,142 | 44.75% |
| 2023 | \$1,164,974 | \$1,993,014 | 58.45% |
| 2024 | \$948,686 | \$2,118,480 | 44.78% |

Source: Municipal Pension Fund Financial Statements, June 30, 2024.

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

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Actuarial Projections of Funded Status

Cautionary Note. The information under this subheading, “Actuarial Projections of Funded Status,” was prepared by Cheiron. The table below shows a five-year projection of RRP payments, Actuarial Value of Assets, Actuarial Liability, UAL, and Funded Ratio. The charts below show projections of funded ratios and City contributions based on the RRP through Fiscal Year 2044. All projections, whether for five years or for twenty years, are subject to actual experience deviating from the underlying assumptions and methods, and that is particularly the case for the charts below for the periods beyond the projections in the five-year table. **Projections and actuarial assessments are “forward looking” statements and are based on assumptions which may not be fully realized in the future and are subject to change, including changes based on the future experience of the City’s Municipal Pension Fund and Municipal Pension Plan.**

The projections are on the basis that all assumptions as reflected in the July 1, 2024 Valuation are exactly realized and the City makes all future RRP payments on schedule as required by the RRP funding policy, and must be understood in the context of the assumptions, methods and benefits in effect as described in the July 1, 2024 Valuation. Included among such assumptions are: (i) the rates of return for the Municipal Pension Fund over the projection period will equal 7.30% in Fiscal Year 2025 and 7.25% annually thereafter, (ii) RRP contributions will be made each year, (iii) the provisions of Act 205 as amended by Act 44 will remain in force during the projection period, and (iv) the future population changes of the participants in the pension plan will follow the demographic actuarial assumptions with the active population remaining constant in the future.

The July 1, 2024 Valuation includes charts reflecting City contributions based on MMO (Baseline projection set 1), and charts reflecting the additional City contributions in accordance with the RRP (Baseline projection set 2). The charts provided below are based on the City making RRP contributions each year, which are higher than the MMO contributions required under Pennsylvania law. Using the RRP, the Municipal Retirement System is projected to be 80% funded by 2028 and 100% funded by 2033, two years earlier than under the MMO projections. By the end of the projection period, the Municipal Retirement System is expected to be funded at 131.0% compared to 113.0% when MMO contributions are made. See the July 1, 2024 Valuation for further discussion of the assumptions and methodologies used by the Actuary in preparing the July 1, 2024 Valuation and the following projections, all of which should be carefully considered in reviewing the projections. The July 1, 2024 Valuation is available for review on the website of the City’s Board of Pensions. The table and charts below separately set forth estimates of Sales Tax revenues that will be deposited by the City into the Municipal Pension Fund, which were provided by the City to Cheiron based on current estimates or budgeted amounts of such revenues as included in the Proposed Thirty-Fourth Five-Year Plan. Cheiron has not analyzed and makes no representation regarding the validity of the sales tax revenue assumptions and estimates provided by the City. See “REVENUES OF THE CITY – Sales and Use Tax.”

Each of the tables and graphs that follow are shown in Appendix E of the July 1, 2024 Valuation and such report should be referenced regarding the underlying benefits, methods, and assumptions utilized in the production of these values.

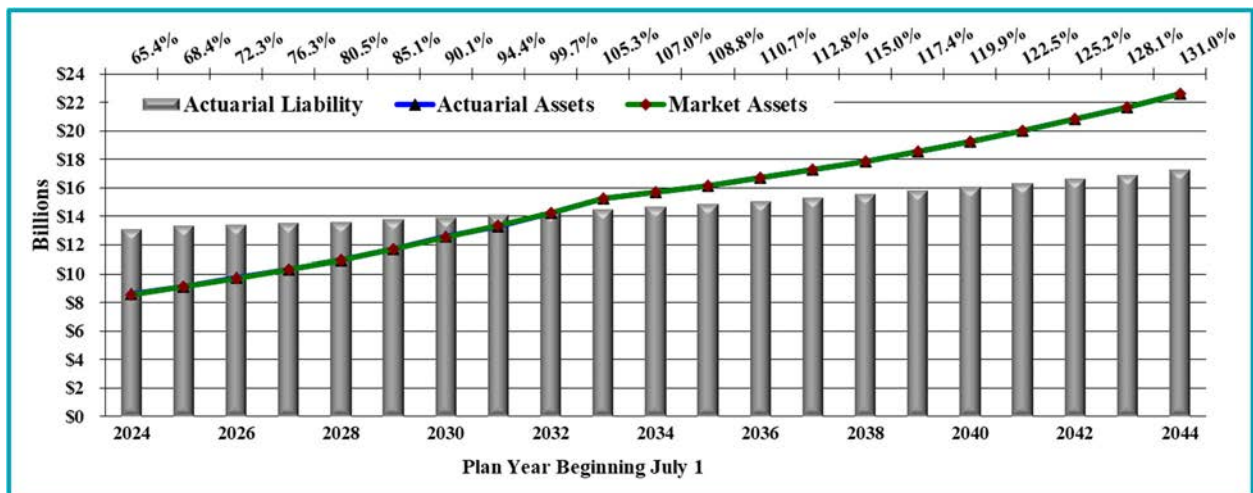
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Five-Year Projection. The following chart provides dollar amounts in millions of USD.

| Table E-1 (\$ millions) | | | | | | | |
|-------------------------|---------------|---------------|------------|-------------|------------|--------|--|
| Fiscal Year | RRP | Sales Tax | Actuarial | Actuarial | Unfunded | | |
| End | Contributions | Contributions | Value of | Liability | Actuarial | Funded | |
| | | | Assets | | Liability | Ratio | |
| 2025 | \$ 741.5 | \$ 93.7 | \$ 8,583.2 | \$ 13,133.7 | \$ 4,550.5 | 65.4% | |
| 2026 | 759.8 | 102.0 | 9,113.6 | 13,332.1 | 4,218.5 | 68.4% | |
| 2027 | 760.1 | 110.6 | 9,729.8 | 13,451.1 | 3,721.3 | 72.3% | |
| 2028 | 758.9 | 119.1 | 10,346.4 | 13,552.3 | 3,205.9 | 76.3% | |
| 2029 | 753.0 | 127.8 | 10,979.9 | 13,634.2 | 2,654.4 | 80.5% | |
| 2030 | 743.7 | 135.3 | 11,733.1 | 13,784.2 | 2,051.1 | 85.1% | |

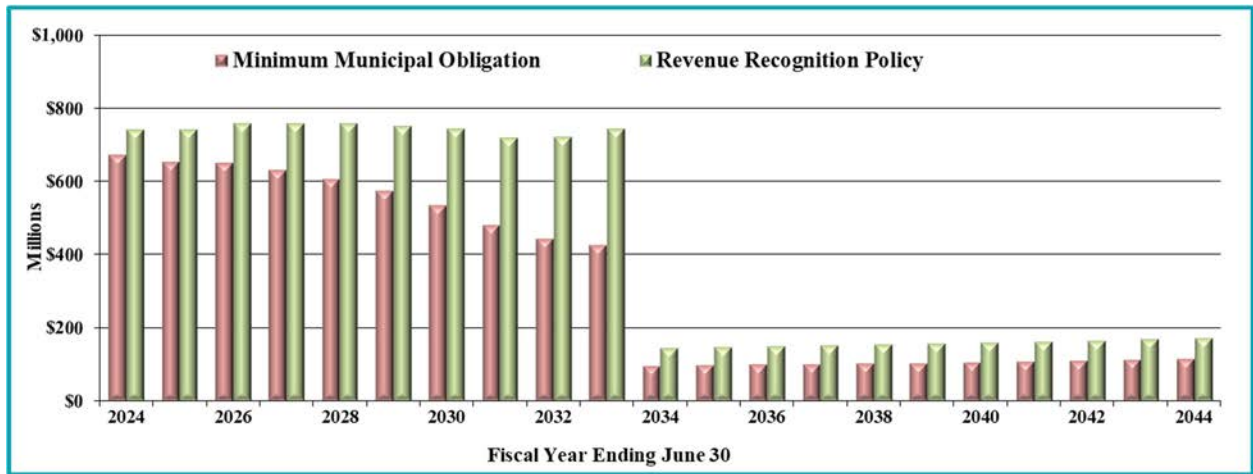
Twenty-Year Projections.

Funded Ratio Chart based on the RRP:



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Expected City Contribution Chart based on the RRP:



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OTHER POST-EMPLOYMENT BENEFITS

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

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

The annual payments made by the City for OPEB for Fiscal Years 2020-2024 are shown in Table 33.

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

| <u>Fiscal Year ended June 30,</u> | <u>Annual OPEB Payment</u> |
|-----------------------------------|----------------------------|
| 2020 | \$104,600 |
| 2021 | \$97,800 |
| 2022 | \$118,300 |
| 2023 | \$101,100 |
| 2024 | \$103,600 |

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

For financial reporting purposes, although the City funds OPEB on a pay-as-you-go basis, it is required to include in its financial statements (in accordance with GASB Statement No. 75) a calculation similar to that performed to calculate its pension liability. Pursuant to GASB 75, an annual required contribution is calculated which, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. The City’s total OPEB liability reported as of June 30, 2024 of \$1.81 billion, was measured as of June 30, 2023 based on an actuarial valuation as of June 30, 2022. See Note IV.3 to the Fiscal Year 2024 ACFR.

PGW PENSION PLAN

General

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

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

The City sponsors the Philadelphia Gas Works Pension Plan (the “PGW Pension Plan”), a single employer defined benefit plan, to provide pension benefits for certain current and former PGW employees and other eligible class employees of PFMC and the Gas Commission. As plan sponsor, the City, through its General Fund, could be responsible for plan liabilities if the PGW Pension Plan does not satisfy its payment obligations to PGW retirees. At June 30, 2024, the PGW Pension Plan membership total was 3,700, comprised of: (i) 2,548 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them; and (ii) 1,152 participants, of which 816 were vested and 336 were nonvested.

PGW Pension Plan

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

PGW is required by statute to contribute the amounts necessary to fund the PGW Pension Plan. The PGW Pension Plan is funded with (i) contributions by PGW, (ii) contributions from the Sinking Fund Commission of the City (the “Sinking Fund Commission”), (iii) investment earnings, and (iv) employee contributions required for new hires after December 2011 who elect to participate in the PGW Pension Plan. Each month, the Sinking Fund Commission sends, in two separate payments, (i) approximately \$2.5 million and (ii) one-twelfth of PGW’s annual contribution to the applicable bank account for processing and payment to PGW pensioners.

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. The pension payments are treated as an operating expense of PGW and are

included as a component of PGW's base rate. The PUC approves all items that are to be included in PGW's base rates.

Pension Costs and Funding

PGW pays an annual amount that is projected to be sufficient to cover its normal cost and an amortization of the PGW Pension Plan's UAL. Table 34 shows the normal cost, the amortization payment, and the resulting annual required contribution as of the last five actuarial valuation dates for the PGW Pension Plan. Prior to fiscal year 2016, PGW had been using a 20-year open amortization period (and the payments in Table 34 are on the basis of a 20-year open amortization). Commencing in PGW's fiscal year 2016, PGW calculated an annual required contribution on the basis of both a 20-year open amortization period and a 30-year closed amortization period and contributed the higher of the two amounts. An open amortization period is one that begins again or is recalculated at each actuarial valuation date. With a closed amortization period, the unfunded liability is amortized over a specific number of years to produce a level annual payment. Because the final amortization date is fixed, if all actuarial assumptions are achieved, the unfunded liability would decline to zero as of the final amortization date. To the extent future experience differs from the assumptions used to establish the 30-year fixed amortization payment schedule, new amortization bases attributable to a particular year's difference would be established and amortized over their own 30-year schedule. Commencing in PGW's fiscal year 2021, PGW's annual contribution is required to be at least \$30 million annually unless changed by written directive of the Finance Director. The contribution amount exceeds the suggested level of funding in the Actuarial Valuation Report (Funding) for the Plan Year July 1, 2024 – June 30, 2025 for the PGW Pension Plan and is consistent with the contribution amount in PGW's base rates (i.e., rates PGW charges for services). The \$30 million annual contribution amount remains in effect.

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

| Calculation of ARC for the 12- month period ended: | Normal Cost⁽¹⁾ (A) | Amortization Payment⁽¹⁾ (B) | ARC^{(1), (2)} (A + B) | Payments to Beneficiaries⁽³⁾ |
|---|--|---|---|--|
| 7/1/2020 | \$6,161 | \$16,504 | \$22,665 | \$55,061 |
| 7/1/2021 | \$7,892 | \$17,375 | \$25,267 | \$56,647 |
| 7/1/2022 | \$7,732 | \$17,470 | \$25,202 | \$58,502 |
| 7/1/2023 | \$7,754 | \$17,306 | \$25,060 | \$60,312 |
| 7/1/2024 | \$7,772 | \$16,256 | \$24,028 | \$60,928 |

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2024 – June 30, 2025 for the PGW Pension Plan.

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

(3) Sources: For 2020, the audited financial statements for PGW for the fiscal years ended August 31, 2020 and 2019. For 2021, the audited financial statements for PGW for fiscal years ended August 31, 2021 and 2020. For 2022, the audited financial statements for PGW for fiscal years ended August 31, 2022 and 2021. For 2023, the audited financial statements for PGW for fiscal years ended August 31, 2023 and 2022. For 2024, the Actuarial Valuation Report (Funding) for the Plan Year July 1, 2024 – June 30, 2025 for the PGW Pension Plan.

Although PGW has paid its annual required contribution each year, the market value of assets for the PGW Pension Plan is less than the actuarial accrued liability, as shown in the next table. Table 35 shows such values as of the applicable actuarial valuation dates (July 1, 2020 through July 1, 2024).

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

| Actuarial Valuation Date | Market Value of Assets | Actuarial Liability | UAL (Market Value) | Funded Ratio |
|-------------------------------------|-----------------------------------|--------------------------------|---------------------------|---------------------|
| 7/1/2020 | \$543,230 | \$741,279 | \$198,049 | 73.28% |
| 7/1/2021 | \$673,542 | \$792,325 | \$118,783 | 85.01% |
| 7/1/2022 | \$565,748 | \$806,257 | \$240,509 | 70.17% |
| 7/1/2023 | \$604,133 | \$812,231 | \$208,098 | 74.38% |
| 7/1/2024 | \$654,984 | \$819,095 | \$164,111 | 79.96% |

(1) Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2024 – June 30, 2025 for the PGW Pension Plan.

The current significant actuarial assumptions for the PGW Pension Plan are: (i) investment return rate of 7.00% compounded annually; (ii) salaries are assumed to increase by an amount based on years of service, see table 3 in The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2024 – June 30, 2025 for the PGW Pension Plan; and (iii) retirements that are assumed to occur at the ages detailed in The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2024 – June 30, 2025 for the PGW Pension Plan.

The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2024 – June 30, 2025 for the PGW Pension Plan includes certain changes to the actuarial assumptions, including (i) modifications to mortality tables, turnover rates, disability rates, retirement rates, and salary scales, (ii) increases to assumed participant compensation in the final year of employment prior to retirement, and (iii) modifications to the optional payment form election percentages and the surviving spouse benefit assumptions.

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

The PGW Pension Plan actuary prepared a separate actuarial valuation report (“GASB 67 Report”) for the fiscal year ending June 30, 2024, for purposes of plan reporting information under Governmental Accounting Standards Board Statement No. 67, “Financial Reporting for Pension Plans.” The GASB 67 Report shows for the fiscal year ending June 30, 2024, an unfunded liability of approximately \$186.7 million (rather than the approximately \$164.1 million reflected in Table 35), which results in a funded ratio of 77.82%. In addition, that report provides an interest rate sensitivity, which shows that were the investment rate to be 6.00% (1% lower than the assumed investment rate of 7.00%), the unfunded liability would be approximately \$276.4 million.

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Projections of Funded Status

The information under this subheading, “Projections of Funded Status,” is extracted from tables prepared by Aon, as actuary to the PGW Pension Plan, which were included in their “Philadelphia Gas Works Pension Plan – Funding Alternative Funding Schedules July 1, 2024-June 30, 2025”. The charts show projections, using both the current amortization method (20-year, open) and the alternative amortization method (30-year, fixed). See “– Pension Costs and Funding” above. Projections are subject to actual experience deviating from the underlying assumptions and methods. **Projections and actuarial assessments are “forward looking” statements and are based upon assumptions that may not be fully realized in the future and are subject to change, including changes based upon the future experience of the PGW Pension Plan.**

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

| Actuarial Valuation Date (July 1) | Actuarial Value of Assets | Actuarial Accrued Liability | UAL (Actuarial Value) | Calculated Mid-Year Contribution^{(1), (2)} | Funded Ratio |
|--|--------------------------------------|--|--------------------------------------|--|-------------------------|
| 2024 | \$634,818 | \$819,095 | \$184,277 | \$24,841 | 77.50% |
| 2025 | 655,153 | 821,803 | 166,650 | 23,221 | 79.72% |
| 2026 | 650,523 | 824,215 | 173,692 | 23,866 | 78.93% |
| 2027 | 672,073 | 826,333 | 154,260 | 22,129 | 81.33% |
| 2028 | 686,690 | 828,569 | 141,879 | 21,079 | 82.88% |
| 2029 | 693,104 | 831,128 | 138,024 | 20,820 | 83.39% |
| 2030 | 699,788 | 834,037 | 134,249 | 20,561 | 83.90% |
| 2031 | 706,373 | 836,943 | 130,570 | 20,285 | 84.40% |
| 2032 | 713,191 | 840,194 | 127,003 | 20,048 | 84.88% |
| 2033 | 720,395 | 843,925 | 123,531 | 19,765 | 85.36% |

⁽¹⁾ Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2024 – June 30, 2025 for the PGW Pension Plan.

⁽²⁾ Pursuant to the established funding policy, PGW contributes, on a monthly basis, payments of \$2.5 million to the payroll account for benefits to retirees, beneficiaries, survivors, etc. The actuary’s report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

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

| Actuarial Valuation Date (July 1) | Actuarial Value of Assets | Actuarial Accrued Liability | UAL (Actuarial Value) | Calculated Mid-Year Contribution^{(1), (2)} | Funded Ratio |
|--|--------------------------------------|--|--------------------------------------|--|-------------------------|
| 2024 | \$634,818 | \$819,095 | \$184,277 | \$24,514 | 77.50% |
| 2025 | 654,814 | 821,803 | 166,989 | 23,479 | 79.68% |
| 2026 | 650,427 | 824,215 | 173,788 | 24,346 | 78.91% |
| 2027 | 672,467 | 826,333 | 153,866 | 23,199 | 81.38% |
| 2028 | 688,219 | 828,569 | 140,350 | 22,606 | 83.06% |
| 2029 | 696,320 | 831,128 | 134,808 | 22,668 | 83.78% |
| 2030 | 705,143 | 834,037 | 128,895 | 22,722 | 84.55% |
| 2031 | 714,339 | 836,943 | 122,604 | 22,749 | 85.35% |
| 2032 | 724,265 | 840,194 | 115,929 | 22,809 | 86.20% |
| 2033 | 735,101 | 843,925 | 108,824 | 22,813 | 87.11% |

⁽¹⁾ Source: The Actuarial Valuation Report (Funding) for the Plan Year July 1, 2024 – June 30, 2025 for the PGW Pension Plan.

⁽²⁾ Pursuant to the established funding policy, PGW contributes, on a monthly basis, payments of \$2.5 million to the payroll account for benefits to retirees, beneficiaries, survivors, etc. The actuary's report assumes contributions at the beginning, middle, and end of the plan year. PGW utilizes the mid-year contribution level to approximate the actual funding methodology.

Additional Information

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

Further information on the PGW Pension Plan, including with respect to its membership, plan description, funding policy, actuarial assumptions and funded status is contained in the Fiscal Year 2023 ACFR.

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PGW OTHER POST-EMPLOYMENT BENEFITS

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

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

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

The current significant actuarial assumptions for the PGW OPEB Plan are: (i) investment return rate of 7.00% compounded annually; (ii) salaries assumed to increase by an amount based on years of service, and (iii) retirements assumed to occur at the ages detailed in The Actuarial Valuation Report – Retiree Health Insurance Program GASB 74 (Valuation Date: December 31, 2023).

PGW uses a September 1 – August 31 fiscal year, while the PGW OPEB Plan uses a January 1 – December 31 calendar year. The last seven actuarial valuation reports for the PGW OPEB Plan utilized a plan year of January 1 – December 31. This is reflected in Table 39 below.

In Table 39, the PGW OPEB Plan shows an unfunded liability of approximately \$113.7 million, which results in a funded ratio of 77.6%. In addition, The Actuarial Valuation Report – Retiree Health Insurance Program GASB 74 report provides an interest rate sensitivity, which shows that if the investment rate were to be 6.00% (1% lower than the assumed investment rate of 7.00%), the unfunded liability would be approximately \$183.3 million.

Table 38 provides detail of actual PGW OPEB payments for PGW Fiscal Years 2020-2024 and projected PGW OPEB payments for PGW Fiscal Years 2025-2029. **Projections and actuarial assessments are "forward looking" statements and are based upon assumptions that may not be fully realized in the future and are subject to change, including changes based upon the future experience.**

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

| Calculation of OPEB Payment for the 12-month period ended: | Healthcare | Life Insurance | OPEB Trust | Total |
|---|-------------------|---------------------------|-------------------|--------------|
| <u>Actual⁽¹⁾</u> | | | | |
| 8/31/2020 | \$26,944 | \$1,661 | \$18,500 | \$47,105 |
| 8/31/2021 | \$24,655 | \$1,725 | \$18,500 | \$44,880 |
| 8/31/2022 | \$21,970 | \$1,778 | \$18,500 | \$42,248 |
| 8/31/2023 | \$24,746 | \$1,797 | \$18,500 | \$45,043 |
| 8/31/2024 | \$25,569 | \$1,737 | \$18,500 | \$45,806 |
| <u>Projections⁽²⁾</u> | | | | |
| 12/31/2025 | \$24,785 | \$1,700 | \$18,500 | \$44,985 |
| 12/31/2026 | \$26,085 | \$1,700 | \$18,500 | \$46,285 |
| 12/31/2027 | \$27,408 | \$1,700 | \$18,500 | \$47,608 |
| 12/31/2028 | \$28,836 | \$1,700 | \$18,500 | \$49,036 |
| 12/31/2029 | \$29,992 | \$1,700 | \$18,500 | \$50,192 |

⁽¹⁾ Source: PGW audited financial statements for fiscal year ended August 31, 2024.

⁽²⁾ The Actuarial Valuation Report for the PGW Health and Life Insurance Plan GASB 75 Projected Costs – Discount Rate = 7.0%.

Table 39 is the schedule of PGW OPEB funding progress.

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

| Actuarial valuation date | Actuarial value of assets | Actuarial liability | Unfunded actuarial liability | Funded ratio |
|---------------------------------|--------------------------------------|----------------------------|---|---------------------|
| 12/31/2017 ⁽¹⁾ | \$180,743 | \$559,631 | \$378,888 | 32.3% |
| 12/31/2018 ⁽¹⁾ | \$184,455 | \$520,533 | \$336,078 | 35.4% |
| 12/31/2019 ⁽¹⁾ | \$245,361 | \$493,570 | \$248,209 | 49.7% |
| 12/31/2020 ⁽¹⁾ | \$306,079 | \$507,667 | \$201,588 | 60.3% |
| 12/31/2021 ⁽¹⁾ | \$365,944 | \$515,175 | \$149,231 | 71.0% |
| 12/31/2022 ⁽¹⁾ | \$320,635 | \$529,342 | \$208,707 | 60.6% |
| 12/31/2023 ⁽²⁾ | \$393,913 | \$507,620 | \$113,707 | 77.6% |

⁽¹⁾ The Actuarial Valuation Report for the PGW Health and Life Insurance Plan for Retired Employees GASB 75 Financial Disclosure Report for the Fiscal Year Ended August 31, 2024.

⁽²⁾ The Actuarial Valuation Report – Retiree Health Insurance Program GASB 74.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

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

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

From time to time, the City issues, or PICA has issued on behalf of the City, tax and revenue anticipation notes. Each issue was repaid when due, prior to the end of the particular Fiscal Year. The City did not issue tax and revenue anticipation notes in Fiscal Year 2023 or Fiscal Year 2024. The City does not expect to issue tax and revenue anticipation notes in Fiscal Year 2025.

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

Consolidated Cash

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

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

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

The City maintains an ongoing cash reconciliation process, which, in short, reconciles the account balance and activity shown on the records of the bank at which the cash balance of the Consolidated Cash Account is maintained to that shown on the City's records. The City periodically reviews its internal policies to improve the cash reconciliation process and resolve any variances.

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

Investment Practices

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

Investment guidelines for the City are embodied in Section 19-202 of the Philadelphia Code. In furtherance of these guidelines, as well as Commonwealth and federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that went into effect in August 1994 and was most recently revised in January 2023. The Policy supplements other legal requirements and establishes guiding principles for the overall administration and effective management of all of the City's monetary funds (except the Municipal Pension Fund, the PGW Retirement Reserve Fund, the PGW OPEB Trust and the PGW Workers' Compensation Reserve Fund).

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

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio. Commercial paper and corporate bonds are limited to investment of no more than 30% of the total portfolio. Repurchase agreements and money market mutual funds are limited to investment of no more than 25% of the total portfolio. Obligations of the Commonwealth and collateralized banker's acceptances and certificates of deposit are limited to no more than 15% of the total portfolio. Collateralized mortgage obligations and pass-through securities directly issued by a U.S. agency or instrumentality are limited to no more than 5% of the total portfolio.

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

securities directly issued by a U.S. agency or instrumentality are limited to no more than 3% of the total portfolio per issuer.

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

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

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

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DEBT OF THE CITY

General

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

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

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

Using the methodology described above, as of April 30, 2025, the Constitutional debt limitation for Tax-Supported Debt was \$19,680,477,685. The total amount of authorized debt applicable to the debt limit was \$2,751,522,000, including \$1,558,952,000 of authorized but unissued debt, leaving a legal debt margin of 16,928,956,685. Based on the foregoing figures, the calculation of the legal debt margin is as follows:

Table 40
General Obligation Debt Limit
As of April 30, 2025
(Amounts in Thousands of USD)

| | |
|--|---------------------|
| Authorized, issued and outstanding | \$1,510,264 |
| Authorized and unissued | 1,558,952 |
| Total | <u>\$3,069,217</u> |
| Less: Self-Supporting Debt | (\$303,585) |
| Less: Serial bonds maturing within a year | (14,110) |
| Total amount of authorized debt applicable to debt limit | <u>2,751,522</u> |
| Legal debt limit | <u>19,680,478</u> |
| Legal debt margin | <u>\$16,928,956</u> |

As a result of the implementation of the City's AVI, the assessed value of taxable real estate within the City has increased substantially. See "REVENUES OF THE CITY – Real Property Taxes." The \$19.680 billion Constitutional debt limit calculation includes ten years of property values certified under the City's AVI program. Assuming no increase or decrease in property values used to calculate the Constitutional debt limit in Table 40, the Constitutional debt limit is estimated to be \$26.702 billion by 2034. Following these increases in assessed values, the City is below the 3.0% threshold. As a result, beginning with FY 2022, the City's bond authorizations have not required electoral consent.

The City is also empowered by statute to issue revenue bonds and, as of April 30, 2025, had outstanding \$3.41 billion aggregate principal amount of Water and Wastewater Revenue Bonds ("Water and Wastewater Bonds"), \$1.18 billion aggregate principal amount of Gas Works Revenue Bonds, and \$1.37 billion aggregate principal amount of Airport Revenue Bonds. As of April 30, 2025, the City has also enacted ordinances authorizing the issuance of (i) up to \$500 million aggregate principal amount in Airport Revenue Commercial Paper Notes for the Department of Aviation, (ii) up to \$1 billion of Airport Revenue Bonds to finance capital projects for the Department of Aviation (of which approximately \$179.6 million has been issued), (iii) up to \$270 million of Gas Works Revenue Notes to finance working capital and capital projects for PGW, (iv) up to \$300 million of Gas Works Revenue Bonds to finance capital projects for PGW, of which approximately \$92.0 million has been issued, (v) up to \$400 million of Water and Wastewater Commercial Paper Notes for the Philadelphia Water Department, and (vi) up to \$1.9 billion of Water and Wastewater Revenue Bonds for the Philadelphia Water Department, of which approximately \$1.0 billion has been issued. For information on recent and upcoming financings, see "OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings."

The PICA Bonds reached final maturity on June 15, 2023, and there are no PICA Bonds outstanding as of April 30, 2025. For more information on PICA Bonds, see "– PICA Bonds" below.

Short-Term Debt

As provided in the PICA Act, the City's tax and revenue anticipation notes are general obligations of the City but do not constitute debt of the City subject to the limitations of the Constitutional debt limit. The City did not issue tax and revenue anticipation notes in Fiscal Year 2023 or Fiscal Year 2024. The City does not expect to issue tax and revenue anticipation notes in Fiscal Year 2025. See "OTHER FINANCING RELATED MATTERS – Recent and Upcoming Financings" and "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – General Fund Cash Flow."

Long-Term Debt

Table 41 presents a synopsis of the bonded debt of the City and its component units as of the date indicated. Of the total balance of the City's General Fund-Supported Debt issued and outstanding as of April 30, 2025, approximately 43% is scheduled to mature within five Fiscal Years and approximately 72% is scheduled to mature within ten Fiscal Years.

Table 41
Bonded Debt
as of April 30, 2025
(Amounts in Thousands of USD)^{(1), (2)}

| | | |
|---|------------------|---------------------------|
| General Obligation Debt and PICA Bonds | | |
| General Obligation Bonds ⁽³⁾ | \$1,510,265 | |
| PICA Bonds | <u>0</u> | |
| Subtotal: General Obligation Debt and PICA Bonds | | \$1,510,265 |
| Other General Fund-Supported Debt⁽⁴⁾ | | |
| Philadelphia Municipal Authority | | |
| Juvenile Justice Center | \$63,795 | |
| Public Safety Campus | 52,815 | |
| Energy Conservation | <u>3,195</u> | |
| | \$119,805 | |
| Philadelphia Authority for Industrial Development | | |
| Pension capital appreciation bonds | \$19,247 | |
| Pension fixed rate bonds | 636,195 | |
| Stadiums | 130,915 | |
| Cultural and Commercial Corridor | 49,820 | |
| One Parkway | 7,140 | |
| Affordable Housing | 38,860 | |
| 400 N. Broad ⁽⁵⁾ | 211,714 | |
| Art Museum | 7,700 | |
| Rebuild | <u>155,600</u> | |
| | \$1,257,191 | |
| Philadelphia Redevelopment Authority | | |
| Neighborhood Transformation Initiative | \$84,175 | |
| Home Repair Program | 31,245 | |
| Neighborhood Preservation Initiative | <u>331,680</u> | |
| | \$447,100 | |
| Philadelphia Energy Authority | | |
| Streetlight Improvement Project | 81,040 | |
| | 81,040 | |
| Philadelphia Parking Authority | <u>4,645</u> | |
| Subtotal: Other General Fund-Supported Debt | | \$1,909,781 |
| Revenue Bonds | | |
| Water Fund ⁽⁶⁾ | \$3,410,322 | |
| Aviation Fund ⁽⁶⁾ | 1,370,385 | |
| Gas Works ⁽⁶⁾ | <u>1,177,130</u> | |
| Subtotal: Revenue Bonds | | <u>\$5,957,837</u> |
| Grand Total | | <u>\$9,377,884</u> |

⁽¹⁾ Unaudited; figures may not sum due to rounding.

⁽²⁾ Does not include the issuance of the 2025 Bonds as described in the forepart of this Official Statement.

⁽³⁾ For tables setting forth a ten-year historical summary of Tax-Supported Debt of the City and the School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2024, see the Fiscal Year 2024 ACFR.

⁽⁴⁾ The principal amount outstanding relating to the PAID 1999 Pension Obligation Bonds, Series B (capital appreciation bonds) is reflected as the accreted value thereon as of April 30, 2025.

⁽⁴⁵⁾ Includes (i) sublease payments of approximately \$15.2 million annually for the police headquarters renovation; and (ii) an assumption that the City issues approximately \$200 million in bonds in 2026 to acquire the project at an assumed interest rate of 5% over the next 20 years.

⁽⁶⁾ Does not include any outstanding commercial paper or short-term note issuances for the Department of Aviation, the Water Department, or PGW, as applicable.

Table 42
Annual Debt Service on General Fund-Supported Debt
(as of April 30, 2025)
(Amounts in Millions of USD)⁽¹⁾

| Fiscal Year | <u>General Obligation Debt⁽²⁾</u> | | | <u>Other General Fund-Supported Debt^{(4), (5)}</u> | | | <u>Aggregate General Fund-Supported Debt</u> | | |
|----------------|--|-------------------------|--------------------------|---|------------------------------|--------------------------|--|--------------------------|--------------------------|
| | Principal | Interest ⁽³⁾ | Total | Principal | Interest ^{(6), (7)} | Total | Principal | Interest | Total |
| 2025 | \$ 9.53 | \$ 6.06 | \$ 15.59 | \$ 8.89 | \$ 11.01 | \$ 19.90 | \$ 18.42 | \$ 17.07 | \$ 35.49 |
| 2026 | 116.58 | 64.25 | 180.83 | 182.81 | 108.85 | 291.66 | 299.39 | 173.09 | 472.48 |
| 2027 | 121.81 | 58.73 | 180.53 | 204.24 | 82.72 | 286.96 | 326.05 | 141.45 | 467.50 |
| 2028 | 127.90 | 53.02 | 180.92 | 214.94 | 74.91 | 289.85 | 342.84 | 127.93 | 470.77 |
| 2029 | 104.04 | 47.98 | 152.02 | 290.21 | 56.11 | 346.32 | 394.24 | 104.10 | 498.34 |
| 2030 | 121.06 | 43.17 | 164.23 | 90.56 | 45.32 | 135.88 | 211.62 | 88.49 | 300.11 |
| 2031 | 127.22 | 37.77 | 164.99 | 94.93 | 40.93 | 135.86 | 222.15 | 78.71 | 300.85 |
| 2032 | 132.98 | 32.09 | 165.07 | 57.34 | 36.91 | 94.25 | 190.32 | 69.00 | 259.32 |
| 2033 | 101.58 | 26.98 | 128.56 | 57.86 | 34.33 | 92.18 | 159.43 | 61.31 | 220.74 |
| 2034 | 91.43 | 22.80 | 114.22 | 74.94 | 31.66 | 106.60 | 166.37 | 54.46 | 220.82 |
| 2035 | 80.37 | 19.02 | 99.39 | 92.98 | 28.42 | 121.40 | 173.35 | 47.44 | 220.79 |
| 2036 | 84.03 | 15.35 | 99.37 | 59.32 | 24.51 | 83.83 | 143.35 | 39.86 | 183.21 |
| 2037 | 72.71 | 11.80 | 84.51 | 62.23 | 21.61 | 83.84 | 134.94 | 33.41 | 168.35 |
| 2038 | 76.04 | 8.55 | 84.59 | 65.28 | 18.55 | 83.82 | 141.32 | 27.10 | 168.42 |
| 2039 | 59.09 | 5.69 | 64.77 | 56.47 | 15.43 | 71.90 | 115.56 | 21.12 | 136.68 |
| 2040 | 26.83 | 3.37 | 30.19 | 49.37 | 12.72 | 62.08 | 76.19 | 16.09 | 92.28 |
| 2041 | 27.95 | 2.25 | 30.19 | 51.80 | 10.28 | 62.08 | 79.74 | 12.53 | 92.27 |
| 2042 | 29.16 | 1.04 | 30.20 | 46.07 | 7.95 | 54.02 | 75.22 | 9.00 | 84.22 |
| 2043 | 0.00 | 0.00 | 0.00 | 41.33 | 5.86 | 47.19 | 41.33 | 5.86 | 47.19 |
| 2044 | 0.00 | 0.00 | 0.00 | 43.41 | 3.78 | 47.19 | 43.41 | 3.78 | 47.19 |
| 2045 | 0.00 | 0.00 | 0.00 | 18.74 | 1.98 | 20.72 | 18.74 | 1.98 | 20.72 |
| 2046 | 0.00 | 0.00 | 0.00 | 14.76 | 1.14 | 15.90 | 14.76 | 1.14 | 15.90 |
| 2047 | 0.00 | 0.00 | 0.00 | 15.52 | 0.39 | 15.90 | 15.52 | 0.39 | 15.90 |
| 2048 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | <u>\$1,510.27</u> | <u>\$459.92</u> | <u>\$1,970.19</u> | <u>\$1,893.96</u> | <u>\$675.38</u> | <u>\$2,569.34</u> | <u>\$3,404.22</u> | <u>\$1,135.31</u> | <u>\$4,539.53</u> |

⁽¹⁾ Does not include letter of credit fees. Figures may not sum due to rounding.

⁽²⁾ Includes both Tax-Supported Debt and Self-Supporting Debt. See “– General.” Does not include PICA Bonds (no PICA Bonds are currently outstanding).

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

⁽⁴⁾ Includes PAID, PMA, PPA, PEA, and PRA bonds, which are secured by agreements with the City to appropriate and pay amounts sufficient to pay principal, interest, or redemption price when due on such bonds, with capital appreciation bonds including only actual amounts payable. The original issuance amount of such capital appreciation bonds is included under the “Principal” column in the Fiscal Year such bonds mature and the full accretion amount at maturity less the original issuance amount is included in the “Interest” column in the Fiscal Year such bonds mature.

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

⁽⁶⁾ Assumes interest rate on hedged variable rate bonds to be the associated fixed swap rate.

⁽⁷⁾ Net of capitalized interest, if any.

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Other Long-Term Debt Related Obligations

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

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia (“CCP”). Under the Community College Act (Pa. P.L. 103, No. 31 (1985)), each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of CCP, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP’s operating costs (less tuition and less the Commonwealth’s payment), as well as certain scholarship programs. The amount paid by the City in Fiscal Year 2023 was \$67.1 million. The amount paid by the City in Fiscal Year 2024 was \$59.0 million. The budgeted amount and current estimate for Fiscal Year 2025 is \$56.0 million.

PICA Bonds

PICA issued several series of bonds at the request of, or for the benefit of, the City (the “PICA Bonds”). Under the PICA Act (both before and after the recent amendments thereto), PICA no longer has authority to issue bonds to finance cash flow deficits but may refund bonds previously issued. The proceeds of the PICA Bonds were used to: (i) make grants to the City to fund its General Fund deficits, to fund all or a portion of the costs of certain City capital projects, to provide other financial assistance to the City to enhance operational productivity, and to defease certain of the City’s general obligation bonds; (ii) refund other PICA Bonds; and (iii) pay costs of issuance. The PICA Bonds reached final maturity on June 15, 2023, and there are no PICA Bonds outstanding as of April 30, 2025.

The PICA Act authorizes the City to impose a tax for the sole and exclusive purposes of PICA. In connection with the adoption of the Fiscal Year 1992 budget and the execution of the PICA Agreement, as so authorized by the PICA Act, the City reduced the wage, earnings, and net profits taxes on City residents by 1.5% and enacted a new tax of 1.5% on wages, earnings, and net profits of City residents (the “PICA Tax”), which continues in effect. When outstanding, the PICA Tax secures the PICA Bonds. There are currently no PICA Bonds outstanding.

Pursuant to amendments to the PICA Act in 2022, PICA may, at the request of the City, issue bonds to finance capital projects from time to time in accordance with the timelines set forth therein. Further, the amendments to the PICA Act provide that the PICA Tax will continue to be authorized and dedicated for so long as PICA remains in existence (regardless of whether any PICA Bonds are outstanding). As amended, the PICA Act provides that PICA will remain in existence until the later of January 2, 2047 or one year after all its liabilities are met or, in the case of PICA Bonds, one year after provision for such payment shall have been made or provided for in the applicable bond indenture. In June 2023, City Council passed, and the Mayor signed, an amendment to the PICA Tax ordinance to extend its duration in response to the continued authorization of the PICA Tax pursuant to the amendments to the PICA Act. In addition, the City and PICA approved and entered into the 2023 PICA Agreement that reflects and implements the PICA Act as amended, and replaces the expired 1992 PICA Agreement.

At any time, the City is authorized to increase for its own use its various taxes, including its wage, earnings, and net profits taxes on City residents and could do so upon the expiration of the PICA

Tax. Certain taxes, such as sales, liquor, and hotel taxes, among others, cannot be increased by the City without Commonwealth approval.

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

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

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

The total amount of PICA Tax remitted by the State Treasurer to PICA (which is net of the costs of the State Treasurer in collecting the PICA Tax), PICA annual debt service and investment expenses, and net PICA tax revenue remitted to the City for Fiscal Years 2021-2024 and the budgeted amounts and current estimates for Fiscal Year 2025 are set forth in Table 43.

Table 43
Summary of PICA Tax Remitted by the State Treasurer to PICA
and Net Taxes Remitted by PICA to the City
(Amounts in Millions of USD)^{(1), (2)}

| Fiscal Year | PICA Tax⁽³⁾ | PICA Annual Debt Service and Expenses⁽³⁾ | Net taxes remitted to the City⁽³⁾ |
|-------------------------|-------------------------------|--|---|
| 2021 (Actual) | \$524.2 | \$15.2 | \$509.0 |
| 2022 (Actual) | \$585.6 | \$30.5 | \$555.1 |
| 2023 (Actual) | \$674.3 | \$0.0 | \$674.3 |
| 2024 (Actual) | \$716.3 | \$10.8 | \$705.5 |
| 2025 (Adopted Budget) | \$739.4 | \$0.0 | \$739.4 |
| 2025 (Current Estimate) | \$745.1 | \$0.0 | \$745.1 |

⁽¹⁾ Figures may not sum due to rounding.

⁽²⁾ As of the date of this Official Statement, there are no PICA Bonds outstanding.

⁽³⁾ Source: For Fiscal Years 2021-2024, the ACFRs for the applicable Fiscal Year. For Fiscal Year 2025, the Fiscal Year 2025 Adopted Budget and the FY 2025 Third Quarter QCMR, as applicable.

OTHER FINANCING RELATED MATTERS

Swap Information

The City is a party to various swaps related to its outstanding General Fund-Supported Debt as detailed in Table 44.

Table 44
Summary of Swap Information
for General Fund-Supported Debt (as of April 30, 2025)

| City Entity | City GO | City Lease PAID | City Lease PAID |
|--------------------------------------|---|---|---|
| Related Bond Series | 2009B ⁽¹⁾ | 2007B-2 (Stadium) ⁽³⁾ | 2007B-2 (Stadium) ⁽⁴⁾ |
| Initial Notional Amount | \$313,505,000 | \$217,275,000 | \$72,400,000 |
| Current Notional Amount | \$100,000,000 | \$30,550,205 | \$10,179,795 |
| Termination Date | 8/1/2031 | 10/1/2030 | 10/1/2030 |
| Product | Fixed Payer Swap | Fixed Payer Swap | Fixed Payer Swap |
| Rate Paid by Dealer | SIFMA | SIFMA | SIFMA |
| Rate Paid by City Entity | 3.829% | 3.9713% | 3.9713% |
| Dealer | Royal Bank of Canada | JPMorgan Chase Bank, N.A. | Merrill Lynch Capital Services, Inc. |
| Fair Value⁽²⁾ | (\$4,630,698) | (\$1,087,715) | (\$362,477) |
| Additional Termination Events | <u>For Dealer:</u> Rating change below BBB- or Baa3 <u>For City:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3) | <u>For Dealer:</u> Rating change below BBB- or Baa3 <u>For PAID:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3) | <u>For Dealer:</u> Rating change below BBB- or Baa3 <u>For PAID:</u> Rating change below BBB- or Baa3 upon insurer event (includes insurer being rated below A- or A3) |

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

⁽²⁾ Fair values are as of April 30, 2025, and are shown from the City's perspective and include accrued interest.

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

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

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

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, the Water Department, and the Department of Aviation, see the Fiscal Year 2023 ACFR.

Swap Policy

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

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

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

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

Since swaps can create exposure to the creditworthiness of financial institutions that serve as the City's counterparties on swap transactions, the City has established standards for swap counterparties. As a general rule, the City enters into transactions with counterparties whose obligations are rated in the A rated category or better from two nationally recognized rating agencies. If the counterparty's credit rating is below the double-A rating category, the swap policy requires that the City's exposure be collateralized. If a counterparty's credit is downgraded below the A category, even with collateralization, the swap policy requires a provision in the swap permitting the City to exercise a right to terminate the transaction prior to its scheduled termination date.

Letter of Credit Agreements

The City has entered into various letter of credit agreements related to its General Fund-Supported Debt as detailed in Table 45. Under the terms of such letter of credit agreements, following a purchase of the applicable bonds, the City may be required to amortize such bonds more quickly than as originally scheduled at issuance.

Table 45
Summary of Letter of Credit Agreements
for General Fund-Supported Debt
as of April 30, 2025

| Variable Rate Bond Series | Amount Outstanding | Bond Maturity Date | Provider | Expiration Date | Rating Thresholds ⁽¹⁾ |
|---|-------------------------------|-------------------------------|-------------------------------------|--------------------------------|--|
| General Obligation Multi-Modal Refunding Bonds, Series 2009B | \$100,000,000 | August 1, 2031 | Barclays Bank PLC ⁽²⁾ | May 23, 2025 ⁽²⁾ | The long-term rating assigned by any one of the rating agencies to any unenhanced long-term parity debt of the City is (i) withdrawn or suspended for credit-related reasons or (ii) reduced below investment grade. |
| PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2 | \$46,575,000 | October 1, 2030 | TD Bank | October 1, 2030 ⁽³⁾ | The long-term ratings assigned by at least two of the rating agencies to any unenhanced general obligation bonds of the City is (i) withdrawn or suspended for credit-related reasons, or (ii) reduced below investment grade. |

-
- (1) The occurrence of a Rating Threshold event would result in an event of default under the reimbursement agreement with the related bank.
(2) On May 1, 2025, the Barclays Bank PLC Letter of Credit was replaced by a Letter of Credit from Truist Bank, which has a stated expiration date of August 1, 2031.
(3) The stated Expiration Date may be advanced at the option of the Provider to a date that is one hundred eighty days after the date the Provider gives notice of its exercise of such option (the "Option Notification Date"). Such Option Notification Date may occur between February 26, 2027 and August 26, 2027.

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Recent and Upcoming Financings

Recent Financings. The following is a list of financings that the City has entered into in Fiscal Year 2025.

- In September 2024, the City issued \$424,250,000 in Gas Works Revenue Bonds.
- In November 2024, the City issued \$595,780,000 in Water and Wastewater Revenue Bonds.
- In December 2024, PRA issued \$149,105,000 in City Service Agreement Revenue Bonds for the benefit of the City.
- In January 2025, PRA issued \$68,820,000 in City Service Agreement Revenue Refunding Bonds for the benefit of the City.

Upcoming Financings. In addition to the financing contemplated by this Official Statement, the following is a list of financings that the City expects to enter into in calendar year 2025.

- The City expects to issue approximately \$325,000,000 in Airport Revenue Bonds.
- PAID expects to issue approximately \$130,000,000 in City Service Agreement Revenue Bonds for the benefit of the City as the third phase of financing for the Rebuild Program.
- PRA expects to issue approximately \$400,000,000 in City Service Agreement Revenue Bonds for the benefit of the City in connection with the H.O.M.E. Initiative.

CITY CAPITAL PROGRAM

As part of the annual budget process, the Mayor submits for approval a six-year capital program to City Council, together with the proposed operating budget. For more information on the City's budget process, see "DISCUSSION OF FINANCIAL OPERATIONS – Budget Procedure."

Certain Historical Capital Expenditures

Table 46 shows the City's historical expenditures for Fiscal Years 2020-2024 for certain capital purposes, including expenditures for projects related to transit, streets and sanitation, municipal buildings, recreation, parks, museums, and stadia, and economic and community development. This table does not include expenditures for the City's enterprise funds. The source of funds used for such expenditures are primarily general obligation bond proceeds, but also include federal, state, private, and other government funds and operating revenue. Figures in Table 46 are generated after the Fiscal Year closes and may not sum due to rounding.

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Table 46
Historical Expenditures for Certain Capital Purposes
Fiscal Years 2020-2024

| Purpose Category | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Transit | \$ 2,118,190 | \$ 275,524 | \$ 7,391,397 | \$ 2,252,818 | \$ 1,403,503 |
| Streets & Sanitation | 55,819,152 | 74,069,852 | 49,505,218 | 79,721,589 | 94,759,334 |
| Municipal Buildings | 113,997,857 | 88,706,617 | 89,560,752 | 75,369,416 | 80,029,033 |
| Recreation, Parks, Museums & Stadia | 23,488,384 | 28,727,639 | 26,443,401 | 44,565,539 | 141,339,977 |
| Economic & Community Development | 19,160,053 | 10,219,384 | 12,952,262 | 15,135,822 | 11,408,633 |
| <u>Total</u> | <u>\$214,583,636</u> | <u>\$201,999,016</u> | <u>\$185,853,030</u> | <u>\$217,045,184</u> | <u>\$328,940,480</u> |

Table 47 shows the City's historical expenditures for Fiscal Years 2020-2024 for certain capital purposes from general obligation bond proceeds only and the percentage of the total costs covered by such proceeds in such Fiscal Years. Figures in Table 47 are generated after the Fiscal Year closes and may not sum due to rounding.

Table 47
Historical Expenditures for Certain Capital Purposes
(General Obligation Bond Proceeds Only)
Fiscal Years 2020-2024

| Purpose Category | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Transit | \$ 2,115,963 | \$ 274,336 | \$ 7,391,397 | \$ 2,252,818 | \$ 1,403,503 |
| Streets & Sanitation | 30,392,324 | 27,389,047 | 20,984,230 | 26,035,836 | 38,118,666 |
| Municipal Buildings | 86,218,008 | 60,609,517 | 62,468,532 | 60,607,214 | 64,204,573 |
| Recreation, Parks, Museums & Stadia | 10,870,133 | 23,396,808 | 21,981,840 | 42,672,209 | 85,038,878 |
| Economic & Community Development | 19,160,053 | 9,934,028 | 11,301,908 | 12,392,809 | 11,040,070 |
| <u>Total</u> | <u>\$148,756,480</u> | <u>\$121,603,736</u> | <u>\$124,127,907</u> | <u>\$143,960,886</u> | <u>\$199,805,690</u> |
| Percentage of Total Costs | 69% | 60% | 67% | 66% | 61% |

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Fiscal Year 2025-2030 Amended Capital Program

The Fiscal Year 2025-2030 Amended Capital Program contemplates a total budget of \$16.35 billion (compared to \$13.3 billion as budgeted in the Fiscal Year 2024-2029 Adopted Capital Program). In the Fiscal Year 2025-2030 Amended Capital Program, approximately \$5.95 billion is expected to be provided from federal, Commonwealth, and other sources and approximately \$10.40 billion through City funding. For Fiscal Year 2025, the City has budgeted \$6.23 billion for capital projects (compared to \$4.75 billion in Fiscal Year 2024). Table 48 shows the amounts budgeted each year from various sources of funds for capital projects in the Fiscal Year 2025-2030 Amended Capital Program.

Table 48
Fiscal Year 2025-2030 Amended Capital Program
(Amounts in Thousands of USD)

| Funding Source | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2025-2030 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| <u>City Funds--Tax Supported</u> | | | | | | | |
| Carried-Forward Loans | 587,332 | - | - | - | - | - | 587,332 |
| Operating Revenue | 540,856 | 7,250 | 7,250 | 7,250 | 7,250 | 7,250 | 577,106 |
| New Loans | 328,472 | 214,785 | 224,953 | 224,848 | 229,867 | 220,011 | 1,442,936 |
| Prefinanced Loans | 14,250 | - | - | - | - | - | 14,250 |
| PICA Prefinanced Loans | 557 | - | - | - | - | - | 557 |
| Tax Supported Subtotal | \$1,471,467 | \$222,035 | \$232,203 | \$232,098 | \$237,117 | \$227,261 | \$2,622,181 |
| <u>City Funds--Self Sustaining</u> | | | | | | | |
| Self-Sustaining Carried Forward Loans | 1,201,542 | - | - | - | - | - | 1,201,542 |
| Self-Sustaining Operating Revenue | 146,945 | 61,642 | 86,376 | 102,049 | 116,412 | 117,000 | 630,424 |
| Self-Sustaining New Loans | 1,096,055 | 1,139,278 | 964,364 | 795,111 | 946,258 | 774,634 | 5,715,700 |
| Self-Sustaining Subtotal | \$2,444,542 | \$1,200,920 | \$1,050,740 | \$897,160 | \$1,062,670 | \$891,634 | \$7,547,666 |
| <u>Other City Funds</u> | | | | | | | |
| Revolving Funds | 55,000 | 55,000 | 32,000 | 32,000 | 32,000 | 22,000 | 228,000 |
| <u>Other Than City Funds</u> | | | | | | | |
| Carried-Forward Other Government | 36,459 | - | - | - | - | - | 36,459 |
| Other Government Off Budget | 173,353 | 76,193 | 155,942 | 117,716 | 222,743 | 196,376 | 942,323 |
| Other Governments/Agencies | 1,600 | 100 | 100 | 100 | 100 | 100 | 2,100 |
| Carried-Forward State | 336,765 | - | - | - | - | - | 336,765 |
| State Off Budget | 265,936 | 333,479 | 335,353 | 296,147 | 267,912 | 220,715 | 1,719,542 |
| State | 72,754 | 68,354 | 66,354 | 57,104 | 56,854 | 52,254 | 373,674 |
| Carried-Forward Private | 139,017 | - | - | - | - | - | 139,017 |
| Private | 14,995 | 10,220 | 9,220 | 9,220 | 9,220 | 9,020 | 61,895 |
| Carried-Forward Federal | 672,295 | - | - | - | - | - | 672,295 |
| Federal Off-Budget | 186,393 | 143,369 | 116,419 | 98,734 | 73,879 | 77,217 | 696,011 |
| Federal | 357,216 | 172,516 | 128,516 | 108,516 | 103,516 | 99,916 | 970,196 |
| Other Than City Funds Subtotal | \$2,256,783 | \$804,231 | \$811,904 | \$687,537 | \$734,224 | \$655,598 | \$5,950,227 |
| <u>TOTAL</u> | <u>\$6,227,792</u> | <u>\$2,282,186</u> | <u>\$2,126,847</u> | <u>\$1,848,795</u> | <u>\$2,066,011</u> | <u>\$1,796,493</u> | <u>\$16,348,124</u> |

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Department of Aviation, and PGW, which are paid out of their respective funds or revenues and only secondarily out of the General Fund.

The Act of October 5, 1980, P.L. 693, No. 142, known as the “Political Subdivision Tort Claims Act,” (the “Tort Claims Act”) established a \$500,000 aggregate limitation on damages for injury to a person or property arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation on damages was upheld by the Pennsylvania Supreme Court in *Zauflik v. Pennsbury School District*, 104 A.3d 1096 (Pa. 2014). Under Pennsylvania Rule of Civil Procedure 238, delay damages are not subject to the \$500,000 limitation. The limit on damages is inapplicable to any suit against the City that does not arise under state tort law, such as claims made against the City under federal civil rights laws. The state constitutionality of the limitation on damages is again before the Pennsylvania Supreme Court in *Freilich v. SEPTA* (review granted on March 11, 2024, argued March 4, 2025). Legislation to amend the limitation on damages has also been introduced in the Pennsylvania legislature.

General Fund

Table 49 presents the City’s aggregate losses from settlements and judgments paid out of the General Fund for Fiscal Years 2021-2024 and the budgeted amount for Fiscal Year 2025.

Table 49
Aggregate Losses – General and Special Litigation Claims (General Fund)
Fiscal Years 2021-2024 (Actual) and 2025 (Budget)
(Amounts in Millions of USD)

| | Actual 2021 | Actual 2022 | Actual 2023 | Actual 2024 | Budget 2025 |
|------------------|----------------|----------------|----------------|----------------|----------------|
| Aggregate Losses | \$47.7 | \$48.0 | \$68.9 | \$73.9 | \$85.7 |

Sources: The City, Budget Office, Indemnity Account, Status Reports.

The current estimate of settlements and judgments from the General Fund for Fiscal Year 2025 is approximately \$89.8 million. This estimate is based on internal calculations using (i) the “Probable Costs” listed in its Quarterly Litigation Reports, (ii) the 3-year average cost for closed cases, and (iii) current year-to-date spending reports. Current year spending includes payments made for settled cases pursuant to payment plans over multiple years. Such payments are generally made at the start of a Fiscal Year, which can result in the current estimate being skewed higher during the early part of such Fiscal Year.

In budgeting for settlements and judgments in the annual operating budget and projecting settlements and judgments for each five-year plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses.

In addition to routine litigation incidental to performance of the City’s governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the General Fund. These proceedings involve: (i) environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; (ii) contract disputes and other commercial litigation; (iii) union arbitrations and other employment-related litigation; (iv) potential and certified class action suits; and (v) civil rights litigation. The ultimate outcome and fiscal impact, if any, on the General Fund of the claims and proceedings described in this paragraph are not currently predictable.

In August 2024, there was a notable development in one of the City’s litigation matters. The case involves a class action arising out of the conditions of confinement at the Philadelphia Department of Prisons (“PDP”). In April 2022, the City entered into a settlement agreement, which was approved by the U.S. District Court for the Eastern District of Pennsylvania and entered as a court order in July 2022. The plaintiffs in this case filed a motion requesting the court find the City in contempt because of its alleged failure to meet the provisions of the settlement agreement. In August 2024, the U.S. District Court issued the contempt order, pursuant to which the City is ordered to spend \$25 million, approximately equal to the amount of unspent money from the PDP budget over each of the four years of the litigation, on specific remediation measures at the prisons as set forth in the settlement agreement. The \$25 million was paid out of the City’s Indemnity Account in October 2024.

For more information on City litigation, see Note IV.8 to the Fiscal Year 2023 ACFR, “Contingencies – Primary Government – Claims and Litigation.” In addition, see “REVENUES OF THE CITY – Real Property Taxes” for a discussion of litigation relating to the reassessment of commercial property in tax year 2018.

Water Fund

Various claims have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. Table 50 presents the Water Department’s aggregate losses from settlements and judgments paid out of the Water Fund for Fiscal Years 2021-2024 and the budgeted amount for Fiscal Year 2025. The current estimate for Fiscal Year 2025 is approximately \$7 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

Table 50
Aggregate Losses – General and Special Litigation Claims (Water Fund)
Fiscal Years 2021-2024 (Actual) and 2025 (Budget)
(Amounts in Millions of USD)

| | Actual 2021 | Actual 2022 | Actual 2023 | Actual 2024 | Budget 2025 |
|------------------|----------------|----------------|----------------|----------------|----------------|
| Aggregate Losses | \$2.5 | \$5.8 | \$5.9 | \$5.9 | \$6.5 |

Sources: The City, Budget Office, Indemnity Account, Status Reports.

Aviation Fund

Various claims have been asserted against the Department of Aviation and in some cases lawsuits have been instituted. Many of these Department of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Department of Aviation. Table 51 presents the Department of Aviation's aggregate losses from settlements and judgments paid out of the Aviation Fund for Fiscal Years 2021-2024 and the budgeted amount for Fiscal Year 2025. The current estimate for Fiscal Year 2025 is approximately \$907,000. The Aviation Fund is the first source of payment for any of the claims against the Department of Aviation.

Table 51
Aggregate Losses – General and Special Litigation Claims (Aviation Fund)
Fiscal Years 2021-2024 (Actual) and 2025 (Budget)
(Amounts in Millions of USD)

| | Actual 2021 | Actual 2022 | Actual 2023 | Actual 2024 | Budget 2025 |
|------------------|----------------|----------------|----------------|----------------|----------------|
| Aggregate Losses | \$1.2 | \$1.0 | \$1.8 | \$1.1 | \$2.5 |

Sources: The City, Budget Office, Indemnity Account, Status Reports.

PGW

Various claims have been asserted against PGW and in some cases lawsuits have been instituted. Many of these PGW claims have been reduced to judgment or otherwise settled in a manner requiring payment by PGW. Table 52 presents PGW's settlements and judgments paid out of PGW revenues, with accompanying reserve information, in PGW Fiscal Years 2019 through 2024. PGW revenues are the first source of payment for any of the claims against PGW. PGW currently estimates approximately \$2.8 million and \$2.4 million in settlements and judgments for PGW Fiscal Years 2025 and 2026, respectively.

Table 52
Claims and Settlement Activity (PGW)
PGW Fiscal Years 2019-2024
(Amounts in Thousands of USD)

| Fiscal Year (ending August 31) | Beginning of Year Reserve | Current Year Claims and Adjustments | Claims Settled | End of Year Reserve | Current Liability Amount (due within one year) |
|-----------------------------------|------------------------------|---|----------------|------------------------|--|
| 2019 | \$14,064 | (\$1,582) | (\$2,922) | \$9,560 | \$3,925 |
| 2020 | \$9,560 | \$1,973 | (\$2,091) | \$9,442 | \$5,435 |
| 2021 | \$9,442 | \$2,384 | (\$1,845) | \$9,981 | \$4,584 |
| 2022 | \$9,981 | \$808 | (\$2,535) | \$8,253 | \$3,917 |
| 2023 | \$8,253 | \$1,207 | (\$2,671) | \$6,789 | \$3,769 |
| 2024 | \$6,789 | \$5,285 | (\$3,300) | \$8,774 | \$3,318 |

Sources: For fiscal years ended August 31, 2019, through August 31, 2024, PGW's audited financial statements.

APPENDIX B

CITY SOCIOECONOMIC INFORMATION

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INTRODUCTION

The City is the sixth largest city in the nation, second largest on the East Coast, and located at the center of the United States' seventh largest metropolitan statistical area. The Philadelphia MSA (further described below) includes a substantial retail sales market, as well as a diverse network of business suppliers and complementary industries. Some of the City's top priorities include growing quality jobs, increasing educational attainment and employment skills among Philadelphians, neighborhood revitalization, promoting Philadelphia as a desirable location for business, and fostering growth.

According to the U.S. Census data, the City increased its population by 3.7% to 1.582 million residents from 2012 to 2023, with a slight decrease to 1.574 million residents estimated for 2024.

Given the City's strategic geographical location, relative affordability, diversified economy, cultural and recreational amenities, and its growing strength in key industries, such as health care, life sciences, and higher education, among others, Philadelphia is well-positioned to attract new businesses and investment over the coming years. For more information on the fiscal strategies of the City and related challenges, see APPENDIX A – "OVERVIEW – Fiscal Health of the City."

Geography

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

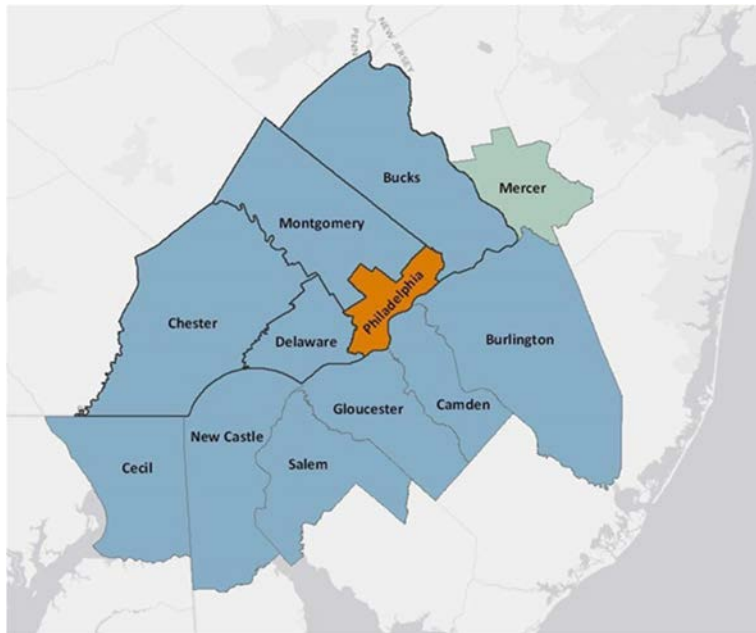
Philadelphia Metropolitan Statistical Area (the "MSA"), highlighted in blue in Figure 1, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of over 5,100 square miles with approximately 6.2 million residents.¹

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

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¹ Due to its close proximity and impact on the region's economy, Mercer County, New Jersey, highlighted in green in Figure 1, is included in the MSA by many regional agencies, although it is not officially part of the MSA.

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



Source: 2009 TIGER County Shapefiles

Several key areas across the City have been instrumental to the economic and commercial development of Philadelphia over the past 25 years. In particular, concentrated development has occurred in key commercial districts such as Philadelphia's Historic District, Center City, University City, North Broad Street, Avenue of the Arts, Benjamin Franklin Parkway, and the Navy Yard. Center City is Philadelphia's central business and office region, as well as the strongest employment center within the City, with access to retail, dining, arts and culture, entertainment, and mass transportation services. Opened in 1929, the Benjamin Franklin Parkway (also called the "Parkway" or the "Museum Mile") runs from City Hall to the Philadelphia Museum of Art and serves as a central public space for art, museums, and other tourist attractions. West of Center City is University City – a hub for the health care, life sciences, and higher education sectors. East of Center City is Philadelphia's Historic District in Old City, which remains a major tourist destination year-round. The North Broad Street corridor is the City's main thoroughfare, spanning four miles from City Hall to Germantown Avenue. In South Philadelphia, the Navy Yard is a 1,200-acre former military facility that has been redeveloped into a mixed-use campus with over 150 companies in office, retail, research and development (R&D), life sciences, and industrial/manufacturing sectors. Many industry observers, including the Urban Land Institute, have recognized the Navy Yard as a leading model for repurposing military and industrial assets for a diversified modern economy.

Strategic Location

Philadelphia is at the center of the third largest MSA on the East Coast, and is served by a robust transportation infrastructure, including: the Philadelphia International Airport ("PHL Airport"), Amtrak's Northeast Corridor rail service, major interstate highway access, regional train service provided by Southeastern Pennsylvania Transportation Authority ("SEPTA") and New Jersey's PATCO (as defined herein), and the Port of Philadelphia. Due to the transportation infrastructure centered in the City, Philadelphia is accessible to regional and international markets, and is within a day's drive of 50% of the nation's population. Philadelphia's central location along the East Coast, an hour from New York City

and less than two hours from Washington, D.C. by high-speed rail, also allows for convenient access to these significant economic centers.

Population and Demographics

As the sixth largest city in the nation, Philadelphia has seen population growth over the last 15 years. While the City’s population reached its nadir in 2006 with 1.45 million residents, the City has increased its population by 3.7% to 1.582 million residents from 2012 to 2023. Longer-term population growth trends have been positive. Recent, single year population estimates have shown modest decreases in City population figures.

Compared to the rest of the region and the state, Philadelphia’s population is both younger and more diverse. In 2023, 26.1% of Philadelphia’s population was comprised of “millennials,” or those within the 25- to 39-year-old age bracket. This demographic group tends to be better educated than the City’s and the nation’s adult population as a whole. In 2023, 50.6% of 25- to 34-year-olds in Philadelphia held a bachelor’s degree or higher, while only 38.8% of 25- to 34-year-olds in the United States held a bachelor’s degree or higher. The City’s many universities, diverse employment opportunities, and relative affordability are likely reasons for Philadelphia’s large millennial population.

Philadelphia is also a highly diverse city in terms of race and ethnicity. In 2023, 39.9% of the population identified as Black or African American, 36.1% identified as white, 7.8% identified as Asian, and 8.4% identified as some other race. Additionally, 15.2% of the population identified as Hispanic or Latino.

Table 1
Population: City, MSA, Pennsylvania & Nation

| | 2012 | 2023 | Percent Change 2012 - 2023 |
|---|-------------|-------------|----------------------------|
| Philadelphia | 1,525,811 | 1,582,432 | 3.71% |
| Philadelphia-Camden-Wilmington MSA | 5,967,349 | 6,241,882 | 4.6% |
| Pennsylvania | 12,699,589 | 12,986,518 | 2.3% |
| United States | 309,138,711 | 332,387,540 | 7.5% |

Source: U.S. Census Bureau, Population Estimates, Census 2023, Census 2012

Table 2
Population: Millennials, Non-White, and Foreign-Born

| | 2014 | 2021 | 2023 | 2 Year Change | Change 2014-2023 |
|--------------------------------|-------|-------|-------|---------------|------------------|
| Millennials (age 25-39) | 23.5% | 26.0% | 26.1% | 0.1% | 2.6% |
| Foreign-Born | 12.5% | 14.3% | 14.6% | 0.3% | 2.1% |
| Minority (non-white) | 58.4% | 61.5% | 63.9% | 2.4% | 5.5% |

Source: 2014, 2021, and 2023 American Community Survey, 5-Year Estimates.

Family and Household Income

Table 3 shows median family income, which includes related people living together, and Table 4 shows median household income, which includes unrelated individuals living together, for Philadelphia, the MSA, the Commonwealth and the United States. Over the period 2014-2023, median family income for Philadelphia increased by 53.2% (see Table 3), while median household income increased by 55.6% over the period 2014-2023 as a result of an influx of higher income households (see Table 4).

Table 3
Median Family Income for Selected Geographical Areas, 2014-2023
(Dollar Amounts in Thousands)

| Year | Philadelphia | Philadelphia-Camden-Wilmington MSA | Pennsylvania | United States | Philadelphia as a percentage of the US |
|------------------|--------------|------------------------------------|--------------|---------------|--|
| 2014 | \$47.00 | \$80.60 | \$67.90 | \$65.90 | 71.3% |
| 2015 | \$49.30 | \$83.00 | \$70.20 | \$68.30 | 72.2% |
| 2016 | \$50.30 | \$84.80 | \$72.30 | \$71.10 | 70.7% |
| 2017 | \$50.40 | \$86.20 | \$72.70 | \$70.90 | 71.1% |
| 2018 | \$55.10 | \$90.43 | \$77.49 | \$76.40 | 72.1% |
| 2019 | \$54.78 | \$94.79 | \$81.08 | \$80.94 | 67.7% |
| 2020 | \$58.09 | \$95.37 | \$81.00 | \$80.07 | 72.5% |
| 2021 | \$61.65 | \$100.85 | \$86.14 | \$85.28 | 72.3% |
| 2022 | \$67.17 | \$108.97 | \$93.03 | \$92.64 | 72.5% |
| 2023 | \$72.00 | \$110.50 | \$97.34 | \$96.90 | 74.3% |
| Change 2014-2023 | 53.2% | 37.1% | 43.4% | 47.0% | |

Includes related people living together.

Source: 2023 American Community Survey 5-Year Estimates.

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Table 4
Median Household Income* for Selected Geographical Areas, 2014-2023
(Dollar Amounts in Thousands)

| Year | Philadelphia | Philadelphia-Camden-Wilmington MSA | Pennsylvania | United States | Philadelphia as a percentage of the US |
|------------------|--------------|------------------------------------|--------------|---------------|--|
| 2014 | \$39.00 | \$62.20 | \$53.20 | \$53.70 | 72.6% |
| 2015 | \$41.20 | \$65.10 | \$55.70 | \$55.80 | 73.8% |
| 2016 | \$41.40 | \$66.00 | \$56.90 | \$57.60 | 71.9% |
| 2017 | \$41.00 | \$66.30 | \$57.00 | \$57.70 | 71.1% |
| 2018 | \$46.12 | \$70.75 | \$60.91 | \$61.94 | 74.5% |
| 2019 | \$47.47 | \$74.53 | \$63.46 | \$65.71 | 72.2% |
| 2020 | \$49.13 | \$74.83 | \$63.63 | \$64.99 | 75.6% |
| 2021 | \$52.65 | \$79.07 | \$67.58 | \$69.02 | 76.3% |
| 2022 | \$57.53 | \$85.55 | \$73.17 | \$75.14 | 76.6% |
| 2023 | \$60.70 | \$89.20 | \$76.00 | \$78.50 | |
| Change 2014-2023 | 55.6% | 43.4% | 42.9% | 46.2% | |

Includes unrelated people living together.

Source: 2024 American Community Survey 5-Year Estimates.

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Cost of Living and Affordability

Philadelphia has a lower cost of living compared to other major urban areas, as shown in Table 5 below. For example, approximately \$5,845 per month in Philadelphia maintains the same standard of living as \$9,100 per month in New York City. Additionally, the City's Wage, Earnings, and Net Profits Tax rates have decreased in recent Fiscal Years. See "REVENUES OF THE CITY – Wages, Earnings, and Net Profits Taxes" in APPENDIX A for this Official Statement.

Table 5
Cost of Living Index, 2025
(Other cities compared to Philadelphia)

| Urban Area | Cost of Living Index |
|------------------------------------|----------------------|
| New York – Manhattan | 168.07 |
| San Francisco | 142.86 |
| Boston | 134.29 |
| Washington, D.C. | 123.53 |
| Miami | 119.33 |
| Los Angeles | 118.32 |
| Seattle | 117.14 |
| Chicago | 108.91 |
| Denver | 104.71 |
| Philadelphia | 100.00 |
| Atlanta | 98.99 |
| Dallas | 95.97 |
| Austin | 95.13 |
| Baltimore | 92.44 |
| Pittsburgh | 91.76 |
| Average of Listed Locations | 114.10 |

Source: Numbeo.com 2025

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ECONOMIC BASE AND EMPLOYMENT

The Philadelphia Economy

The City's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major regional business and personal services center with strengths in insurance, law, finance, health, education, utilities, and the arts. Philadelphia's anchor institutions – including the City's renowned universities, hospitals, and Fortune 500 companies – play an integral role in boosting the City's quality of life and investing in the local economy. The City also provides a destination for entertainment, arts, dining and sports for residents of the suburban counties, as well as for those residents of the counties comprising the MSA plus Mercer County, New Jersey.

As shown in Table 5, the cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas. The City, as the commercial center of an MSA of approximately 6.2 million people, offers its business community access to a large, diverse, and industrious labor pool. As one of the country's education centers, these businesses also enjoy access to a large pool of recent graduates from the institutions of higher education in the MSA.

Key Industries

Table 6 provides location quotients for Philadelphia's most concentrated industry sectors. Location quotients quantify how concentrated a particular industry is in a region as compared to a base reference area, usually the nation. A location quotient greater than 1.00 indicates an industry with a greater share of the local area employment than is the case in the reference area.

As shown in Table 6, compared to the nation, Philadelphia County has higher concentrations in five sectors: 1. Educational Services; 2. Arts, Entertainment, and Recreation 3. Health Care and Social Assistance; 4. Professional and Technical Services; and 5. Other Services, Except Public Administration.² Of these five sectors, the City has a higher concentration of employment than the Commonwealth in four sectors: Educational Services; Arts, Entertainment, and Recreation; Health Care and Social Assistance and Professional and Technical Services.

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

Table 6
Ratio of Philadelphia County and Pennsylvania Industry Concentrations
Compared to the United States

| Industry | Philadelphia County to the US | Pennsylvania to the US |
|--|--|-----------------------------------|
| Educational Services | 5.5 | 1.80 |
| Health Care and Social Assistance | 1.8 | 1.35 |
| Professional and Technical Services | 1.17 | 0.94 |
| Other Services, Except Public Administration | 1.03 | 1.02 |
| Arts, Entertainment, and Recreation | 2.42 | 1.00 |
| Management of Companies and Enterprises | 0.97 | 1.46 |
| Finance and Insurance | 0.96 | 1.11 |
| Transportation and Warehousing | 0.81 | 1.10 |

Source: Bureau of Labor Statistics - June 2024 Employment Location Quotient, Quarterly Census of Employment and Wages

The concentration of Educational Services not only provides stable support to the local economy, but also generates a steady and educated workforce, fueling the City’s professional services and healthcare industries. Data from the Bureau of Labor Statistics show that in 2024, the Education and Health Services; Professional and Business Services; and Trade, Transportation and Utilities sectors collectively represented 60.6% of total employment in the City for the year. From 2015 to 2024, Philadelphia gained 118,000 private sector jobs.

There have been several federal executive orders and guidance with respect to possible pauses to the disbursement of certain federal funds for certain educational institutions and not-for-profit entities, including such institutions and entities located in the City (some of which are discussed herein). The possible loss of such federal funding could impact research programs, general staffing levels, expansion plans, and other projects at such institutions and entities.

Educational Institutions

The Philadelphia region has one of the largest concentrations of undergraduate and graduate students on the East Coast, with approximately 100 degree-granting institutions. Included among these institutions are the University of Pennsylvania, Temple University, Drexel University, St. Joseph’s University, LaSalle University, and the Community College of Philadelphia. Within a short drive from the city center are schools that include Princeton University, Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University.

University of Pennsylvania (“Penn”). Founded in 1740, Penn, located in West Philadelphia, is the first university in the United States. Combined with its health system, Penn is the largest private sector employer in Philadelphia. Penn has also been one of the largest annual recipients of funding from the National Institutes of Health (NIH).

Penn has undergone a significant expansion in the last decade. In 2016, Penn opened Pennovation Works, a 55,000 square foot business incubator and laboratory that houses researchers, innovators, and entrepreneurs for the commercialization of research discoveries. In 2022, Penn selected Longfellow Real Estate Partners, the nation’s largest private developer of life sciences buildings, to lead

construction worth \$365 million for three new buildings covering 484,000 square feet. The new life sciences facility will be segmented into 387,000 square feet of research and development space and 68,000 square feet of biomanufacturing space, with rooftop terraces offering views of Philadelphia's skyline. The main complex will have two adjoining six-story buildings with flexible lab and office space for tenants. The facilities are the latest piece of the university's master plan for Pennovation Works, which saw the completion of the Inventor Office Building in 2018 and Pennovation Lab in 2021.

Currently, Penn has \$1.3 billion in construction underway and \$440 million more in the pipeline. The projects under construction include \$772 million of new development, \$388 million of reinvestment and renovations, and \$133 million in projects underway by third-party developers. Recently completed projects include a \$36 million expansion for the Graduate School of Education, a new \$173 million Vagelos Laboratory for Energy Science and Technology, \$69 million for a new Ott Center for Track and Field, \$363 million to add seven floors to the Perelman School of Medicine.

Drexel University ("Drexel"). Founded in 1891, Drexel is one of Philadelphia's largest employers, and a major engine for economic development in the region. Drexel is known for its technical innovation and civic engagement. Over the last decade, Drexel has undergone significant expansion and has major plans for future development. In 2022, Drexel opened a new 460,000-square-foot, 12-story building that will bring together the College of Nursing and Health Professions, College of Medicine, and Graduate School of Biomedical Sciences and Professional Studies in University City, enhancing collaboration, research, and practice opportunities.

Temple University ("Temple"). Founded in 1884, Temple has undergone a significant transformation over the past three decades from a university with a mostly commuter-based enrollment to one in which on and near-campus housing is now in high demand. As the largest university and fourth largest employer in Philadelphia, Temple features 17 schools and colleges, nine campuses, and hundreds of degree programs. Temple continues to implement key elements of "Visualize Temple," the university's master plan by renovating its current buildings, adding new amenities, and new constructions. In 2019, Temple opened the new Charles Library, a four-story, 225,000-square-foot facility on main campus. In 2023, Temple broke ground on a 160,000-square-foot expansion and 150,000-square-foot renovation of Paley Hall. Formerly known as Paley Library, the building will become the new home of Temple's College of Public Health (CPH) upon completion. The project is budgeted at almost \$130 million. In March 2024, Temple opened the Innovation Nest, which provides office, work, and collaboration spaces for start-up businesses.

Thomas Jefferson University ("Jefferson"). In 2017, Thomas Jefferson University and Philadelphia University merged to create the fourth largest university in the City. With this merger, Jefferson creates a national comprehensive university designed to deliver high-impact education and value for students in medicine, science, architecture, design, fashion, textiles, health, business, engineering, and other disciplines. In addition to ten colleges and three schools from both universities, the formation of the Philadelphia University Honors Institute and the Philadelphia University Design Institute are key components of the combined university's educational ecosystem. Jefferson has campuses in the Center City and the East Falls neighborhood of Philadelphia, Montgomery County, Bucks County, and Atlantic County, New Jersey.

Community College of Philadelphia ("CCP" or the "College"). Founded in 1964, CCP serves over 19,000 students in Associate's degree and certificate programs. The College operates four campuses: its main Campus in Center City Philadelphia and three regional campuses in West Philadelphia, Northeast Philadelphia, and Northwest Philadelphia. The College offers a total of more than 100 Associate degrees, academic and proficiency certificates, and workforce programs. The College has several transfer

agreements and partnerships with other higher education institutions, which assist students who seek a seamless transition to a bachelor's degree program.

In August 2022, the College opened a new \$40 million Advanced Technology Center in West Philadelphia to offer short-term certificate and associate degree programs in the Automotive, Advanced Manufacturing, Health Care, and Transportation Technology fields. It will also serve as a hub supporting the region's small businesses and as a resource connecting the community to technology-rich spaces. The College is one of 30 community colleges in the nation to undertake a new Career Pathways model under which it has expanded its dual enrollment programs, including establishing the first Middle College in the Commonwealth, with the School District of Philadelphia. Upon completion of high school, enrolled students will receive both a high school degree and an Associate's degree. In 2021, the College launched the Octavius Catto Scholarship (the "Catto Scholarship"), which is a new initiative funded by the City of Philadelphia designed to make education available to students by providing funding and support for tuition and fees, costs associated with books, food, transportation, benefits, childcare, and housing. The Catto Scholarship is available to Philadelphia residents who also meet income eligibility.

The College also offers a certificate program, the City College for Municipal Employment (CCME). CCME is a workforce development initiative by the City of Philadelphia. Launched in October 2024, CCME aims to remove barriers to employment by providing education and certifications necessary for City jobs. CCME offers courses across five career pathways: Skilled Trades, Healthcare, Technology, Business & Administration, and Public Safety. Participants receive wraparound services to support their success and are eligible for financial incentives throughout their training. The program also focuses on upskilling current City employees seeking career advancement opportunities.

Saint Joseph's University ("St. Joe's"). Saint Joseph's University (also called St. Joe's) was established in 1821. It is a private Jesuit university in Philadelphia and Lower Merion, Pennsylvania. In 2022, it merged with the University of the Sciences ("USciences") another well-established Philadelphia college with an emphasis on science oriented higher education. USciences was originally founded as the Philadelphia College of Pharmacy in 1821. The combined school is now the fifth largest university in Philadelphia and serves over 9,000 students between two campuses. With the acquisition of additional academic programs, St. Joe's now offers hundreds of programs to undergraduate, graduate, and adult learners. The merger allows St. Joe's to add former USciences programs in areas such as pharmacy, neuroscience, and occupational therapy, in addition to established business and education offerings.

Hospitals and Medical Centers

The City is a center for health, education, research, and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. Philadelphia is home to several world-class medical systems and the first FDA-approved cell and gene therapies. There are presently more than 30 hospitals, five medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry, and veterinary medicine located in the City. The City is one of the largest health care and health care education centers in the world, and several of the nation's largest pharmaceutical companies are located in the Philadelphia area. Major research facilities are also located in the City, including those located at its universities and medical schools: Children's Hospital of Philadelphia ("CHOP"), the Hospital of the University of Pennsylvania, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. Philadelphia is home to two of the nation's 71 National Cancer Institute ("NCI")-designated Comprehensive Cancer Centers: the Abramson Cancer Center at the University of Pennsylvania and Fox Chase Cancer Center, which is part of the Temple University Health System. Additionally, Philadelphia is also home to two NCI-designated Cancer Centers: Kimmel Cancer Center and The Wistar Institute Cancer Center.

Penn Medicine University of Pennsylvania Health System (“Penn Medicine”). Penn Medicine includes Pennsylvania Hospital, the nation’s first hospital and the nation’s first medical school, the University of Pennsylvania School of Medicine. In addition, the Hospital of the University of Pennsylvania was established in 1874 as the nation’s first teaching hospital. Penn Medicine’s hospitals are consistently ranked among the top ten hospitals in the country with the combined University of Pennsylvania and Penn Presbyterian Medical Center among the top-ranked in the region by *U.S. News and World Report*. In 2021, Penn Medicine completed construction on a new 1.5 million square foot Patient Pavilion, one of the largest hospital projects in the nation and the largest capital project in Penn’s history. Combined, the University of Pennsylvania and its health system is the largest private sector employer in Philadelphia. In 2024, Penn Medicine merged with Doylestown Hospital in Bucks County and the hospital is now part of the Penn Medicine system.

Children’s Hospital of Philadelphia Expansion (“CHOP”). CHOP is the oldest children’s hospital in the nation and one of the largest in the world. Beyond its pediatric medical care, it is known for its research and innovative medical breakthroughs. Over the past two decades, CHOP has invested billions in its expansion in Philadelphia. In late 2022, CHOP opened a new Center for Advanced Behavioral Healthcare in West Philadelphia, with 47,000 square feet dedicated to patient care, including consultation rooms, group therapy rooms, and calming areas.

Temple University Health System (“TUS”). Temple Health comprises the health, education and research activities carried out by the affiliates of Temple University Health System and the Lewis Katz School of Medicine at Temple University. TUS is one of the region’s most respected academic medical centers. The 732-bed Philadelphia hospital is also the chief clinical training site for the Lewis Katz School of Medicine at Temple University. TUS is regularly ranked among the “Best Regional Hospitals” in various specialties by *U.S. News & World Report* regional rankings. A \$30 million project to turn the former Cancer Treatment Center of America’s Philadelphia campus into the Women & Families campus was completed in the spring of 2023.

Thomas Jefferson University and Jefferson Health (“TJUH”). TJUH is consistently at the top of the list of hospitals in Pennsylvania and the Philadelphia metro area in *U.S. News & World Report*’s annual listing of the best hospitals and specialties. Jefferson Health has recently participated in several significant mergers, integrating Magee Hospital, Kennedy Health System (located in New Jersey), the Aria Health system, and Abington Hospital into its system. In 2017, Thomas Jefferson University acquired Philadelphia University and is now the ninth largest educational institution in Philadelphia. In 2021, Einstein Healthcare Network merged with Thomas Jefferson University, creating an integrated 18-hospital health system. Einstein Healthcare Network’s facilities and outpatient centers have been in existence for over 150 years.

In August 2024, TJUH and Lehigh Valley Health Network merged. The combined system is now among the top 15 not-for-profit health systems in the U.S. with 32 hospitals, more than 700 sites of care, and approximately 65,000 employees, along with a health plan and further clinical research programs.

Life Sciences

The City has capitalized on the region’s assets to become a leader in life science research and development generated by the City’s healthcare and educational institutions. The Greater Philadelphia region is recognized worldwide as a leader in cell therapy, gene therapy, and gene editing. More than 50 cell and gene therapy development firms have been established in the Philadelphia region and investment is at an all-time high. Approximately 80% of all pharmaceutical and biotech companies in the U.S. have offices in Greater Philadelphia. The City has over 2,000 medical technology companies and numerous research labs. In 2023 Philadelphia received over \$1.2 billion in NIH funding.

Several sites now foster life science incubator facilities, including the Cambridge Innovation Center (CIC); Biolabs in the Curtis Center; B+ Labs in the Cira Center; University of Pennsylvania's Pennovation Works; and Temple University's Innovation Nest (I-Nest). Developers at Wexford and Brandywine Realty Trust have several million square feet of laboratory space in various stages of development in Philadelphia. Other developers, such as Gattuso Development Partners, are actively developing research facilities including 500,000 square feet of laboratory space at 3201 Cuthbert Street.

Over the last few years, there has been a significant geographic shift in laboratory development. Prior to 2020, lab space was almost exclusively relegated to University City and the Navy Yard. Presently, there are completed and planned developments in the Gray's Ferry, Allegheny West, Kensington, South, and Southwest Philadelphia neighborhoods. These developments accommodate all stages of life science company growth. With approximately 5.8 million square feet of existing life sciences inventory, 2.8 million square feet under construction, and an approximate vacancy rate of 14% (compared to 1.4% in 2019), there is tremendous room for continued growth.

Technology and Innovation

With over 5,100 tech businesses, Philadelphia's Tech and Innovation industry is growing and evolving in the post pandemic world. From 2020-2021, the City's share of the nation's startups rose 1.7% according to the Brookings Institute. The City is poised to continue to expand its share of both startups and maturing tech firms as companies search for more affordable locales. Philadelphia's tech ecosystem will continue to benefit from the diffusion of firms in known traditional tech hubs. In addition to growing attraction efforts, Philadelphia's "eds and meds" along with media communications companies like Comcast/ NBC Universal have created sizable opportunities for investment in technology, robotics, and automation startups.

The traditional technology industry was once centered in the Old City section of Philadelphia. However, as the industry continues to evolve, co-working and lab spaces housing emerging tech startups have gone through a geographic shift. Biotech and robotics companies such as Ghost Robotics are more likely to be found in University City, on North Broad Street, or Spring Garden sections of the City.

The City has paired with technology and venture capitalists to encourage growth and investment across the tech ecosystem, which is expected to encourage participation in the industry.

Hospitality and Leisure

Prior to the pandemic, the hospitality and leisure sector historically demonstrated consistent growth, setting a record-high for room revenue generated for lodging in 2019 until contracting in 2020. The City is regularly listed as a top domestic and international destination in tourism publications and was one of only three U.S. destinations to make Condé Nast Traveler's 2021 Gold List. Tourism Economics has projected that it would take until 2023-2024 for Philadelphia's tourism and hospitality sector to fully rebound. In fact, Visit Philadelphia and the Philadelphia Convention and Visitors Bureau (PHLCVB) hosted the Philadelphia 2024 Tourism Outlook. During this event, it was announced that nearly 43 million people visited the 5-County Philadelphia region in 2023, a 6% increase over 2022. Those visitors spent \$7.6 billion in the greater Philadelphia market, and as those funds cycled through the regional economy, they generated an economic impact of \$12.4 billion. Across all tourism industry Key Performance Indicators (KPIs), year-over-year gains were achieved showing continued post-pandemic recovery, either meeting or beating 2019 benchmarks in all categories except visitation.

Philadelphia has seen an influx in hotel development in recent years, with numerous new developments recently completed and underway, including the Four Seasons, Pod Philly, LIVE Hotel & Casino, Element Hotel, Hyatt Centric, W Hotel, Guild House, and Delta Hotel. These hotels added 777 rooms, bringing the total downtown room inventory to 13,375. Additional projects are under construction, including Mainstay Suites/Ascend Hotel Collection and Comfort Inn. Proposed downtown hotels include AC Hotel by Marriott and Blue Ivy Hotel. Three downtown hotels – Rittenhouse Hotel, Four Seasons Philadelphia at the Comcast Center, and Kimpton Hotel Monaco – are rated by U.S. News and World Report as among the best in the nation.

Looking at recent statistics for the County of Philadelphia, all key metrics show growth in the hotel industry. Hotels reached 62.3% occupancy in 2023, a 7.0% increase over 2022. Average daily rate was \$202.05, a 2.0% increase over 2022. Revenue per available room was \$125.95, a 9.0% increase over 2022. Hotel supply was 6.8 million room nights available, a 2.0% increase over 2022. Hotel demand was 4.25 million room nights sold, a 9.0% increase over 2022. Hotel revenue was \$859 million, an 11% increase over 2022. Hotel supply and average daily rate both surpassed 2019 levels.

In recent years, Philadelphia's global tourism has also had a strong recovery with more visitors choosing to travel to the City from overseas. The top overseas markets for Philadelphia were United Kingdom, India, Germany, France, and Ireland.

In 2026, the City will host the commemoration of the nation's 250th birthday. The City has recently hosted, or will host, several major sporting events, including six NCAA Championships, WrestleMania 40, the PGA Championship, and Major League Baseball All-Star Game. In 2022, Philadelphia was named one of 11 cities chosen to host the 2026 FIFA World Cup, an event expected to bring thousands of soccer fans and hundreds of millions of dollars in spending to the region. Philadelphia has also been a regular host of medical conferences and the Army-Navy Game, which will return in 2027.

Creative Economy

The Creative Economy is one of the most dynamic areas of economic development. The sector stimulates innovation and promotes Philadelphia cultural diversity. The creative sector includes the people and the products that make up the for-profit and nonprofit arts-related creative industries, such as visual and performing arts, graphic design, music, fashion, public relations, and architecture.

The Arts, Culture, and Creative Economy sector in Philadelphia is still recovering from the pandemic's impact. The total economic contribution of this sector declined from \$4.1 billion in 2017 to \$3.3 billion in 2022. This highlights ongoing challenges in returning to pre-pandemic levels. Despite this decline, the creative economy remains a significant driver of employment. Full-time equivalent (FTE) jobs fell from 55,679 in 2017 to 29,701 in 2022, while state and local tax revenue more than doubled, rising from \$224.3 million in 2017 to \$429 million in 2022. Though recent data remains limited, these figures underscore the vital role of the creative economy in Philadelphia's employment and economic landscape.

Philadelphia's creative economy encompasses a diverse range of sectors, including craft and fashion. A 2019 analysis by EConsult estimated that Philadelphia's craft and maker sector contributes between \$60 million and \$70 million annually to the city's Gross Domestic Product (GDP) and \$230 million to \$280 million in the broader Philadelphia Metropolitan Statistical Area (MSA). Visitors attending craft-related events generate approximately \$11.8 million in direct spending within the MSA, leading to a total economic impact of \$19.2 million regionally. A statewide analysis indicates that Pennsylvania's women's clothing stores are projected to reach a market size of \$2.3 billion by 2025, with 4,496 establishments employing 13,509 individuals.

Emerging sectors within Philadelphia’s creative economy, such as sustainable fashion and the circular economy (an economic model that focuses on refurbishing, recycling, and similar efforts), present potential growth opportunities. In 2017, Pennsylvania’s recycling industry supported nearly 66,000 direct jobs, contributing over \$22.6 billion to the state’s Gross State Product (GSP). Advanced Recycling technologies across the U.S. totaled \$4.3 billion.

Philadelphia has a strong foundation in arts, fashion, music/nightlife, craft/makers, film/media/digital content production, design/architecture, culinary/food innovation, and the circular economy. While challenges such as funding and space affordability remain, these sectors hold significant growth potential, positioning Philadelphia as a creative hub.

Manufacturing

The manufacturing industry has been a major contributor to Philadelphia’s economy, particularly after the COVID-19 pandemic. Philadelphia’s strategic location, skilled workforce, and diverse manufacturing base in various fields such as chemicals, pharmaceuticals, food and beverage, machinery, eCommerce, transportation equipment, 3D printing, and artisanal manufacturing have made it a hub for manufacturing and production. The industry has been a significant driver of job creation, innovation, and economic growth, providing employment to thousands of workers in the City and contributing significantly to the City’s tax base. Additionally, Philadelphia’s industrial research and development centers have been at the forefront of innovation and technological advancements in various fields, such as biotechnology, energy, and materials science. Overall, manufacturing remains a crucial industry for the growth and prosperity of Philadelphia’s economy.

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Principal Private Sector Employers in the City

Table 7 lists the 20 largest private employers that are based in Philadelphia. Penn and Thomas Jefferson University and Jefferson Health top this list.

Table 7
Largest Private Employers Based in Philadelphia
Ranked by Number of Local Employees, 2024

| Employer | Local Employees |
|--|------------------------|
| University of Pennsylvania and Health System | 54,005 |
| Thomas Jefferson University and Jefferson Health | 41,960 |
| Children's Hospital of Philadelphia | 30,743 |
| Temple University Health System | 19,907 |
| Comcast Corp | 16,200 |
| Independence Health Group | 8,901 |
| Drexel University | 4,531 |
| Deloitte | 2,125 |
| Ernst & Young LLP | 1,646 |
| Day & Zimmermann | 1,485 |
| KPMG | 1,312 |
| Rivers Casino | 1,143 |
| Burns' Family Neighborhood Markets | 1,075 |
| Janney Montgomery Scott | 933 |
| Aecom | 858 |
| Pennoni | 736 |
| La Salle University | 710 |
| American Heritage Credit Union | 700 |
| Fox Rothschild | 695 |
| Cozen O'Connor | 687 |
| Total | 190,352 |

Source: Philadelphia Business Journal (Revised in October 2024)

Office Market

In the fourth quarter of 2024, the Philadelphia Central Business District (CBD) office market saw significant activity, reflecting broader national trends of recovery. Key highlights include:

University of the Arts Portfolio Sale: Nine buildings totaling 760,000 square feet were listed for sale, attracting interest from major institutions like Temple University and preeminent developers. This presents a redevelopment opportunity along the South Broad Street corridor.

Market Recovery: Nationally, the fourth quarter of 2024 marked the first quarter of positive net office space absorption since 2021, indicating a rebound in demand. Leasing activity reached over 92% of pre-pandemic levels, while rental rates showed upward trends.

Property Conversions & Stabilization: Underperforming office properties are being repurposed, reducing the overall development pipeline and helping stabilize the market.

These trends suggest a revitalization of the Philadelphia CBD, driven by strategic property transactions and a broader office market recovery. The CBD has 438,000 square feet under construction according to Jones Lang LaSalle’s (“JLL”) statistics for the fourth quarter of 2024. The average direct asking rental rates in the City’s CBD was \$33.62 per square foot in the fourth quarter of 2024, with a vacancy rate of 18.5%.

Table 8 shows comparative overall fourth quarter 2024 office vacancy rates for selected office markets.

Table 8
Total Office Vacancy Rates of Selected Office Markets
Fourth Quarter 2024

| Market | Vacancy Rate |
|----------------------------|---------------------|
| San Francisco | 29.3% |
| Austin | 27.8% |
| Seattle | 26.4% |
| Denver | 24.9% |
| Dallas | 24.0% |
| Detroit | 23.8% |
| Houston | 22.8% |
| San Diego | 20.6% |
| United States, All Markets | 19.7% |
| Phoenix | 19.4% |
| Atlanta | 18.6% |
| Philadelphia | 18.5% |
| Chicago | 18.5% |
| Nashville | 18.5% |
| Washington, DC | 18.2% |
| Boston | 17.4% |
| Manhattan | 16.6% |
| Los Angeles | 16.4% |
| Charlotte | 15.8% |
| Miami | 15.6% |

Source: Commercial Edge, National Office Report 2025

Major Projects

Over the last two decades, the City's economic development agencies and others have spurred significant economic revitalization throughout the City. In particular, a number of geographic areas have experienced concentrated developments: Center City, University City, Philadelphia's Historic District, Avenue of the Arts, North Broad Street, the Navy Yard, and the Benjamin Franklin Parkway. Many of these developments, such as a significant increase in Philadelphia's hotel room inventory in Center City and expansion of the Pennsylvania Convention Center, have been key to the growth of Philadelphia's leisure and hospitality sector. Several key areas within the City have been instrumental in the economic and commercial development of Philadelphia over the past 25 years.

Taking advantage of the City's major waterways, the Schuylkill and the Delaware Rivers, the City is redeveloping its waterfronts to accommodate a variety of developments, including mixed-use projects, housing, parks, recreational trails, and hotels. These projects improve the quality of life for residents and enhance the visitor experience. In addition, they serve as the impetus for environmental remediation, job creation and private development of former industrial properties within the City.

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Table 9
Projects Under Construction in the Key Commercial Districts

| Project Name, by Neighborhood | Project Type | Cost in Millions | Year of Completion or Estimated Year of Completion |
|---|--------------------|------------------|--|
| CENTER CITY | | | |
| Jefferson Health Specialty Care Pavilion (1100 Chestnut Street) | Medical | \$762 | 2024 |
| 204 S. 12th Street | Residential | \$180 | 2024 |
| 123 S. 12th Street | Residential | \$225 | 2024 |
| Toll Brothers Apartments (Broad & Noble St) | Residential | \$150 | 2024 |
| 1001 South Broad Street | Retail/Residential | \$500 | 2024 |
| 2000 Arch Street (Chubb Headquarters) | Office | \$430 | 2026 |
| 113-19 S. 19th Street (Harper Square in Rittenhouse) | Retail/Residential | TBD | 2028 |
| I-676 Cap Park | Public | \$160 | 2030 |
| OLD CITY | | | |
| I-95 Overcap Park (Penn's Landing) | Public | \$430 | 2026 |
| 702 Samson St | Retail/Residential | \$100 | 2028 |
| OTHER NEIGHBORHOODS | | | |
| 650 Fairmount Avenue | Retail/Residential | \$100 | 2025 |
| 200 Spring Garden | Retail/Residential | \$76 | 2024 |
| 300 N. Christopher Columbus Ave | Retail/Residential | \$200 | 2024 |
| Festival Pier (501 N. Christopher Columbus) | Retail/Residential | \$250 | 2024 |
| 418 Spring Garden Street | Retail/Residential | \$200 | 2024 |
| 1130 N Delaware Avenue | Residential | \$55 | 2024 |
| 1001 S Broad Street | Mixed | \$306 | 2024 (First building) 2026 (Fully completed) |
| 918-80 N Delaware Avenue | Mixed | \$30 | 2024 |
| Reading Viaduct Expansion | Public | \$60 | 2027 |
| 1000 Spring Garden Avenue | Mixed | \$225 | 2024 |
| 817-21 N 3rd Street | Mixed | \$105 | 2024 |
| 1705-41 N American Street (The Luxe Fishtown) | Residential | \$15 | 2024 |
| 1518-28 N Broad Street (Legacy on Broad) | Mixed | \$20 | 2029 |
| Franklin Square Enhancements | Public | \$30 | 2026 |
| Schuylkill River Trail Expansion | Public | \$45 | 2025 |
| 1200 Normandy Place and 1225 Constitution Avenue | Residential | \$285 | 2025 |
| UNIVERSITY CITY | | | |
| 3151 Market St (Schuylkill Yards) | Office/Medical | \$3,500 | 2024 |
| CHOP Schuylkill Ave Expansion (Phase 2) | Medical | \$600 | 2024 |
| 30th Street Station Redesign | Public | \$500 | 2030 |
| TOTAL | | \$9,539 | |

Source: Philadelphia Department of Planning and Development.

Housing

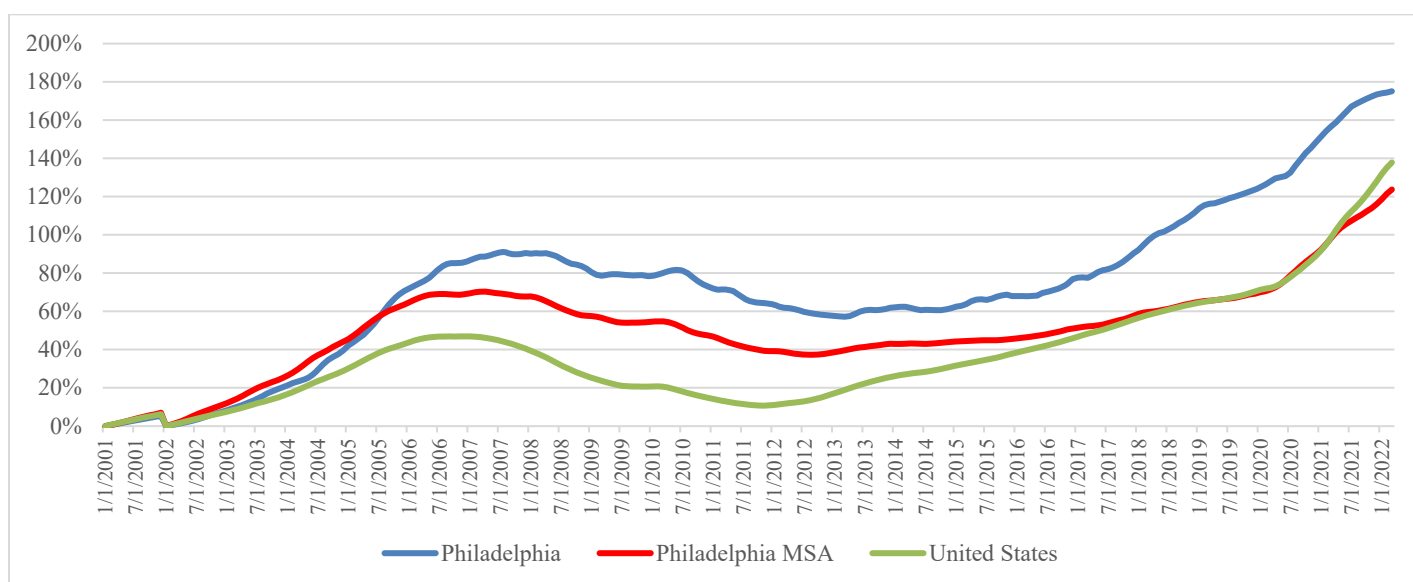
Philadelphia's housing market has undergone a significant revitalization over the last two decades. The period between the 2000 and 2010 censuses was the first where Philadelphia experienced a net population increase since 1940 to 1950. The City's population growth has driven significant new construction and investment in many of its neighborhoods resulting in increases in the value of the City's housing stock. Most housing indicators for Philadelphia indicate an upward outlook, in terms of prices and construction, for the near future. Nevertheless, the City continues to face significant challenges caused by the persistent problems of poverty, crime, underperforming schools, and lack of employment opportunities in some sectors.

The total housing stock, measured by the number of units, increased by 13.5% from 2012-2022, for a total of 757,656 in 2022.³ This increase of 89,410 units is the result of a net increase of 48,832 multifamily units, 38,999 single-family homes, and 1,578 “other” units (such as mobile homes and boats). The homeownership rate in the City in 2022 was 50.8%, which represents a decline from 52.2% in 2012.³ Accordingly, properties in the City have continued to command higher rents, with the median monthly rent in April 2024 equal to \$1,788, representing a 21.0% increase over the prior five-year period.⁴

Home Prices

As shown in the chart below, after eight years of moderate house price deflation following the peak of the 2007 recession, Philadelphia’s housing market began posting rapid increases in prices, citywide, starting in 2013. In late 2017, home values in Philadelphia recovered to their pre-recession peak and have continued to climb to 43% above that peak as of March 2022. The following chart uses the Home Value Index to chart changes in home values in Philadelphia, the Philadelphia region, and the U.S. as a whole over the 20-year period from January 2001 through March 2022.⁵

Percent Change in Median Nominal Home Value (Zillow Home Value Index), 2001-2021



Source: Zillow Research, ZHVI Time Series

Over this entire period, Philadelphia’s median home prices have been lower than that of the region or the country as a whole. However, because the rate of growth in the City’s home values matched or outpaced these comparison regions and the housing market in Philadelphia retained a much greater share of its pre-recession gains, it has significantly closed that gap. Whereas the median home value in Philadelphia was 56% that of the US in 2002, it was 71% of the national average by 2021.

³ US Census Bureau, American Communities Survey, 1-Year Survey

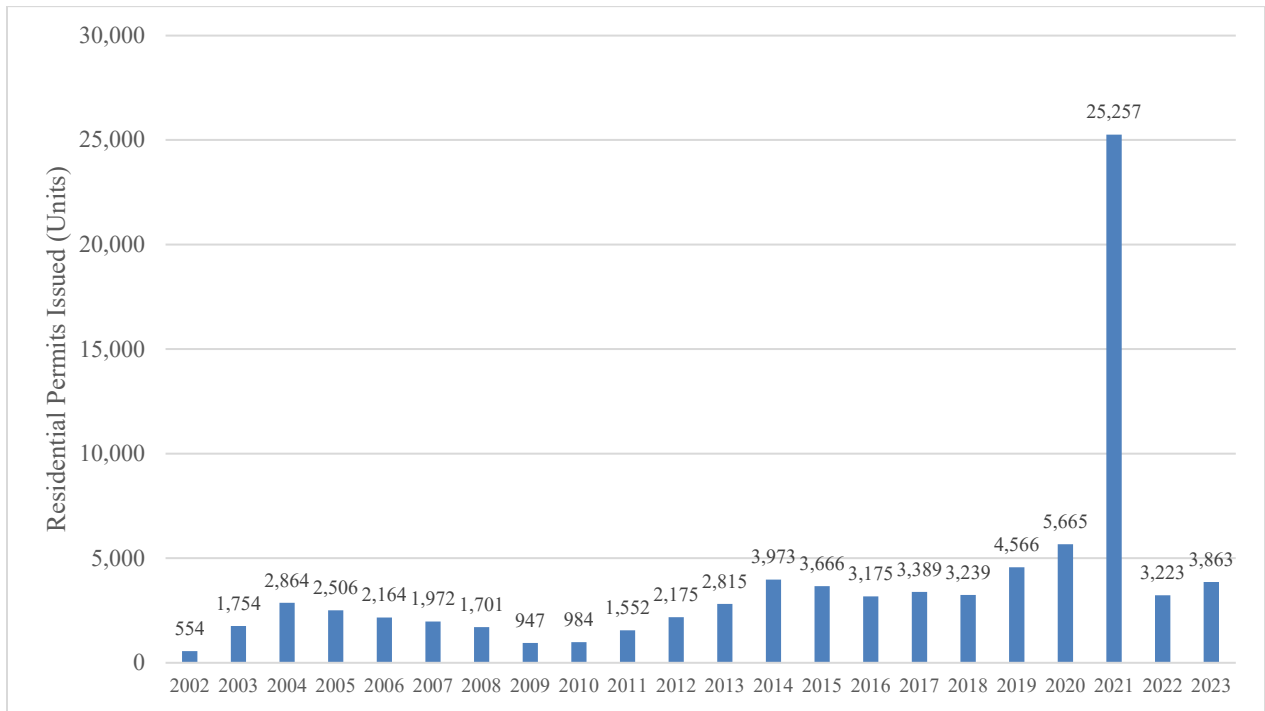
⁴ Zillow Research, ZORI Time Series

⁵ Zillow Research, ZHVI Time Series

Home Construction

Home building activity in Philadelphia has also made significant progress since hitting its recessionary low in 2009. The following chart shows the number of newly constructed units being added to Philadelphia’s housing stock, as represented by the number of building permits issued for such units, from 2002 through 2023.

**Building Permits Issued in Philadelphia, New Construction Only
(Number of Units), 2002-2023**



Source: US Census, Building Permits Survey

The number of building permits for new residential units issued significantly increased in 2021, with a 361% increase over the previous calendar year. The large increase coincided with changes to the City’s 10-year tax abatement, which had been set to expire at the end of 2020, to be replaced by a modified version. The original abatement was extended by a year because of the pandemic. The City’s new tax-abatement program went into effect in January 2022. For more information on the new tax-abatement program, see APPENDIX A – “REVENUES OF THE CITY – Real Property Taxes.”

Historically, construction of new housing units in Philadelphia was low by both absolute and relative measures, averaging only 507 units per year in the decade from 1990 through 1999. However, since 2003, permits for new construction have not been for less than 947 units in any single year, including during the nadir of the 2007 recession. Notably, these data do not include additions or substantial alterations to existing buildings, which together account for nearly a third of all new housing units in Philadelphia.

Despite rising income levels and the relative affordability of home prices in Philadelphia, the City seeks to address housing inequities that can be exacerbated by a strong real estate market. To further increase the supply of affordable housing, the City launched the Neighborhood Preservation Initiative

(“NPI”) in 2021. NPI supports the production and preservation of affordable housing units, home repair and tangled title programs, eviction diversion services, and other innovative programs relating to neighborhood and small business corridor investments. In October 2021, May 2023, and December 2024, the Philadelphia Redevelopment Authority (“PRA”) issued \$98,560,000, \$99,455,000, and \$149,105,000 in City Service Agreement Revenue Bonds, respectively, to finance certain costs of the NPI program. Data on all NPI funded programs, including funds expended by program and households served, is available on the City’s website through the NPI dashboard, which is updated quarterly. NPI funds leverage federal and state Low Income Housing Tax Credit projects and local, long term funding through the Housing Trust Fund.

In Fiscal Year 2026, the City expects to launch the Housing Opportunities Made Easy (H.O.M.E.) Initiative to build and preserve 30,000 units of new and existing housing and otherwise support affordable housing. The H.O.M.E. Initiative contemplates two phases of bond financing through the Philadelphia Redevelopment Authority, totaling approximately \$800 million, and seeks to leverage additional investments from external sources, including state and federal government grants, as well as private and philanthropic dollars. In addition to these investments, the H.O.M.E. Initiative aims to increase operational effectiveness to allow Philadelphians to more easily utilize the housing services the City provides.

TALENT AND HUMAN CAPITAL

Workforce Development

Higher Education

According to Campus Philly, over the last twenty years, the young adult population in Greater Philadelphia has experienced significant growth, surpassing national demographic trends and driving overall population expansion in the region. Notably, the increase in young adults with bachelor’s degrees in Philadelphia has outpaced similar growth in comparable peer cities. This trend reflects the effectiveness of Greater Philadelphia’s colleges and universities. The City retains 50% of the graduates of local colleges and universities. In 2023, 41.2 % of Philadelphia’s population age 25+ had an Associate Degree or higher. Because the Philadelphia region has one of the largest concentrations of students and degree-granting institutions, the City consistently produces an abundant workforce of highly qualified workers for tech and life science companies.

In 2023, Philadelphia exceeded many selected peer cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Selected peer cities (as shown in Table 10) reflect characteristics consistent with Philadelphia, such as geography, socio-economic statistics, industrial legacies, or port facilities.

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Table 10

**2023 Total Number of Students - Percent of Total Population of Selected Cities,
Ranked by Total Number of Students Enrolled in Higher Education**

| | Total Number of Students Enrolled in School (all years) | Total Number of Students Enrolled in Higher Education | Percent of All Students Enrolled in Higher Education | Percent of Total Population Enrolled in Higher Education |
|-------------------------|--|--|---|---|
| United States | 80,120,964 | 21,391,554 | 26.7% | 6.7% |
| Los Angeles, CA | 914,063 | 313,976 | 34.3% | 8.4% |
| Chicago, IL | 623,168 | 199,727 | 32.1% | 7.6% |
| Houston, TX | 570,538 | 151,207 | 26.5% | 6.8% |
| San Diego, CA | 344,676 | 141,102 | 40.9% | 10.5% |
| Philadelphia, PA | 386,138 | 126,478 | 32.8% | 8.3% |
| San Antonio, TX | 377,836 | 101,724 | 26.9% | 7.2% |
| Boston, MA | 179,140 | 98,516 | 55.0% | 15.3% |
| Phoenix, AZ | 400,166 | 95,236 | 23.8% | 6.1% |
| Washington, D.C. | 157,255 | 58,719 | 37.3% | 9.1% |
| Baltimore, MD | 140,544 | 48,403 | 34.4% | 8.7% |
| Milwaukee, WI | 156,286 | 41,220 | 26.4% | 7.5% |
| Memphis, TN | 152,004 | 34,136 | 22.5% | 5.7% |
| Detroit, MI | 151,840 | 31,698 | 20.9% | 5.2% |
| Cleveland, OH | 85,909 | 24,309 | 28.3% | 6.8% |

Source: 2023 American Community Survey, 5-Year Estimates.

Workforce Professionals Alliance (“WPA”)

The WPA is a partnership of over 35 workforce development organizations committed to increasing access to career readiness programs for Philadelphians. The WPA works collaboratively amongst its members and City government to lead strategy and vision for how partners can work together to bridge programs and industries and respond to the demands of employers and residents. Through an ongoing partnership with the WPA, the City is advancing collaboration across workforce training organizations and setting standards for quality jobs to ensure success across Philadelphia’s workforce ecosystem

Fair Chance Hiring Initiative (“FCHI”)

FCHI supports local businesses by referring Philadelphia job seekers returning from incarceration as well as those that are on probation or parole for open positions and providing financial incentives to businesses in the form of wage reimbursements and employment retention grants.

PHL Taking Care of Business Clean Corridors Program (“TCB”)

TCB is a \$24 million program that funds community-based nonprofits to sweep sidewalks and remove litter across neighborhood commercial corridors. PHL TCB invests in people and small businesses by creating employment opportunities for residents and keeping Philadelphia’s neighborhood commercial corridors clean.

Career Connected Learning (“C2L”)

Career Connected Learning (C2L-PHL) is the system of connections that is currently being built between youth-serving partners such as the School District of Philadelphia, City of Philadelphia, Philadelphia Works, and JEVS Human Services, among many others. The premise is to embed career awareness and exposure into City schools, curriculum and programming offered to all students. C2L-PHL offers year-round work-based learning opportunities, during the summer and school year, for Philadelphia residents ages 12-24 to explore different career paths, gain hands-on experience, and develop essential skills. Paid summer and school year work and learning experiences are part of C2L-PHL. JEVS Human Services is contracted to oversee a network of organizations to provide this service. The programs under the C2L currently aim to engage roughly 10,000 students a year, and this system aims to expand programmatic opportunities to be available to any student in the School District.

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Employment

Table 11 shows non-farm payroll employment in the City over the last decade by industry sectors. In the past 10 years, growth has occurred in sectors including Information; Professional and Business Services; Education and Health Services; Financial Activities; Leisure and Hospitality and Mining, Logging and Construction. These sectors continue to provide stability to the City's overall economy. The City added 107,000 jobs since 2015 (15.6 % increase). Overall, total employment in the City is at an all-time high.

Table 11
Philadelphia Non-Farm Payroll Employment1
(Amounts in Thousands)

| Sector | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Change 2015-2024 | % Change 2015-2024 |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------------------|-------------------------------|
| Leisure and hospitality | 68.5 | 70.8 | 73.1 | 74.3 | 76.7 | 48.6 | 55.0 | 68.6 | 75.8 | 77.6 | 9.1 | 13.3% |
| Mining, logging, and construction | 11.5 | 12.0 | 12.1 | 12.6 | 12.5 | 11.8 | 11.7 | 12.2 | 13.0 | 12.7 | 1.2 | 10.4% |
| Professional and business services | 91.2 | 95.2 | 97.4 | 99.6 | 103.9 | 100.2 | 102.2 | 111.6 | 112.5 | 116.2 | 25.0 | 27.4% |
| Education and health services | 217.3 | 223.8 | 230.2 | 238.2 | 242.8 | 236.5 | 234.1 | 249.2 | 261.6 | 275.5 | 58.2 | 26.8% |
| Other services | 27.1 | 27.8 | 27.8 | 28.3 | 28.5 | 25.4 | 25.4 | 27.4 | 29.5 | 29.2 | 2.1 | 7.7% |
| Trade, transportation, and utilities | 92.1 | 92.5 | 92.3 | 92.8 | 93.5 | 91.3 | 88.4 | 95.3 | 90.6 | 88.4 | -3.7 | -4.0% |
| Financial activities | 42.3 | 42.4 | 41.6 | 42.5 | 43.1 | 42.5 | 42.5 | 43.1 | 47.4 | 50.1 | 7.8 | 18.4% |
| Information | 11.8 | 11.6 | 11.6 | 12.1 | 12.2 | 11.7 | 12.3 | 13.9 | 16.7 | 15.4 | 3.6 | 30.5% |
| Manufacturing | 21.0 | 20.5 | 20.2 | 19.9 | 19.4 | 17.9 | 18.2 | 18.9 | 19.2 | 19.5 | -1.5 | -7.1% |
| <i>Private Sector Total</i> | <i>582.8</i> | <i>596.6</i> | <i>606.3</i> | <i>620.3</i> | <i>632.6</i> | <i>585.9</i> | <i>589.8</i> | <i>640.2</i> | <i>666.3</i> | <i>684.6</i> | <i>101.8</i> | <i>17.5%</i> |
| Government | 101.6 | 101.3 | 102.2 | 103.7 | 105.0 | 107.1 | 103.4 | 103.6 | 102.4 | 106.8 | 5.2 | 5.1% |
| Total | 684.4 | 697.9 | 708.5 | 724.0 | 737.6 | 693.0 | 693.2 | 743.8 | 768.7 | 791.4 | 107.0 | 15.6% |

Source: Bureau of Labor Statistics, 2024 annual average totals may not sum due to rounding.
Includes person employed within the City, without regard to residency.

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Table 12
Philadelphia Change in Share of Employment Sectors
(Ranked by Percent Change of Share)

| Sector | Share of Total Employment | | |
|--------------------------------------|---------------------------|--------|------------------|
| | 2015 | 2024 | Change 2015-2024 |
| Leisure and hospitality | 10.0% | 9.8% | -0.2% |
| Mining, logging, and construction | 1.7% | 1.6% | -0.1% |
| Professional and business services | 13.3% | 14.7% | 1.4% |
| Education and health services | 31.8% | 34.8% | 3.1% |
| Other services | 4.0% | 3.7% | -0.3% |
| Trade, transportation, and utilities | 13.5% | 11.2% | -2.3% |
| Financial activities | 6.2% | 6.3% | 0.1% |
| Information | 1.7% | 1.9% | 0.2% |
| Manufacturing | 3.1% | 2.5% | -0.6% |
| Government | 14.8% | 13.5% | -1.4% |
| Total | 100.0% | 100.0% | 0.0% |

Source: Bureau of Labor Statistics, 2024 annual average; totals may not sum due to rounding.
Includes persons employed within the City, without regard to residency.

Unemployment

Philadelphia has recently narrowed the gap between its unemployment levels and the national unemployment levels. As shown in Table 13, with the exception of the COVID-19 pandemic in 2020, employment gains in 2015 through 2024 resulted in a decline in Philadelphia's unemployment rate from an annual average high of 7.2% in 2015 to 4.5% in 2024.

Table 13 below shows unemployment information for Philadelphia, the MSA, the Commonwealth, and the United States.

Table 13
Unemployment Rate in Selected Geographical Areas
(Annual Average 2015-2024)

| Geographical Area | Unemployment Rate (Annual Average) | | | | | | | | | | Change in rate from 2015-2024 |
|------------------------------------|------------------------------------|------|------|------|------|-------|------|------|------|------|-------------------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | |
| United States | 5.30 | 4.90 | 4.40 | 3.90 | 3.70 | 8.10 | 5.40 | 3.60 | 3.70 | 4.00 | -1.3 |
| Pennsylvania | 5.30 | 5.40 | 5.00 | 4.50 | 4.50 | 9.10 | 6.60 | 4.40 | 3.80 | 3.40 | -1.9 |
| Philadelphia-Camden-Wilmington MSA | 5.50 | 5.00 | 4.70 | 4.30 | 4.10 | 9.20 | 6.30 | 4.10 | 3.70 | 3.80 | -1.7 |
| Philadelphia | 7.20 | 6.70 | 6.40 | 5.70 | 5.60 | 12.30 | 8.90 | 5.90 | 4.50 | 4.50 | -2.7 |

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics, 2024.

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ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION

City of Philadelphia Economic Development Mission and Goals

The City's economic development strategy is to (i) grow quality jobs by fostering an improved business environment; (ii) increase the City's population and visitation; (iii) boost Philadelphia's competitiveness through strategic and sectoral investments; and (iv) enable inclusive growth and neighborhood revitalization. The City partners with numerous quasi-city and private agencies to accomplish these objectives.

Economic Competitiveness

In addition to Mayor Parker's vision of a safer, cleaner, and greener Philadelphia, which are part of a broader economic development strategy, the City utilizes several place-based economic development strategies to spur development in Philadelphia. These strategies include: (i) a 10-year real estate tax abatement on all new construction, as well as on improvements to existing properties (legislative changes to this program are described in APPENDIX A – "REVENUES OF THE CITY – Real Property Taxes – Assessment and Collection"); (ii) Commonwealth-designated Keystone Opportunity Zones in which eligible businesses may be exempt from all Commonwealth and local business taxes until a specified date; (iii) Commonwealth-designated Keystone Innovation Zones in which energy, defense, technology, and life-sciences companies may be eligible for saleable tax credits worth up to \$100,000 annually for the first eight years of operations; (iv) tax increment financing; and (v) neighborhood revitalization investments including staffing and physical improvements to facilitate commercial corridors that are attractive places for people to work, shop, and live.

The City and its partners work to attract and retain businesses through business resources, strategic investments, and marketing. Philadelphia offers a suite of additional incentives to businesses, including, but not limited to, the Quality Jobs Grant, Job Creation Tax Credit, Fair Chance Hiring Initiative, Boost Your Business! Fund, and Philadelphia Business Lending Network Incentive Grant. The City provides financial support to a number of nonprofit partners to provide business planning, technical assistance, and access to capital. The City also convenes workforce development organizations to prepare Philadelphians for family-sustaining job opportunities in all business sectors.

International Business & Global Strategy

The City actively works to raise its profile in the international business community. In pre-COVID years, the City hosted delegations of business leaders and officials on trade missions to the United States, reaching a high of 156 delegations in 2019, and participated in business missions to Germany, France, Portugal, China, South Korea, Canada, Denmark, Sweden, Chile, and Israel. These efforts have resulted in new business attraction leads, enhanced cooperation, support to international air route development, and opening of foreign government offices.

The hurdle of the pandemic and closing of the U.S. borders to most foreign markets until late 2021 is now mostly over, and the City continues to engage with foreign businesses and partners to strengthen exchanges, resulting in delegations and visits for new business attraction projects in 2022, 2023, and 2024 (189 foreign businesses engaged within calendar year 2022, over 235 in calendar year 2023, and around 300 in calendar year 2024). In particular, primarily out of European markets, several life sciences projects came to fruition, as well as tech companies opening operations. As most Asian countries lifted travel restrictions at the end of 2022, the City has seen the beginning of a rebound in delegations and business visits from those markets in 2023 and 2024. Sizable foreign investments into

Philadelphia-based assets have also happened in 2024, including Philly Shipyard being acquired by South Korean Group Hanwha for \$100 million, and S. Korea's LIG Nex taking a controlling participation in UPenn's spinout Ghost Robotics for \$240 million. Foreign companies increasingly leverage Philadelphia's assets of talent availability, academics, hospitals, relatively low costs, and connectivity, along with City and State support.

A rebound of foreign visitors has been observed in the City. Foreign tourists have been returning to the City since 2022, now catching up on domestic tourism. Although shifts have been observed (origins, size of conventions, etc.), the sector is now on par with pre-COVID visitation. This has helped rebuild international flight routes from PHL Airport with 5 additional routes in 2024, and projects for 2025 (both new and expanded routes.), along with increased domestic tourism. PHL has consequently seen an increase in passengers of 9.8% over 2024, which includes a 6.5% increase for international passengers: PHL welcomed over 30 million passengers in 2024, passing the record year of 2019 (including 3.8 million foreign passengers). The City, Visit Philadelphia, PHLCVB, PHL and other partners closely collaborate on messaging and marketing efforts to support those trends, with 2026 celebrations being a key milestone and opportunity to boost Philadelphia's brand reputation.

International trade is facing potential headwinds, with increased uncertainties and tensions around trade policies – consequences of rising conflicts abroad, and political shifts at various national levels. The resulting uncertainty is a significant concern for the business community, especially the manufacturing sectors. Manufacturing is now a relatively small but nonetheless noticeable percentage of Philadelphia's economy, and it remains a significant part of Pennsylvania and the greater region's economy. The Port of Philadelphia also relies heavily on trade volumes for its economic performance (raw materials to get manufactured and manufactured goods.) The potentiality of, and of course the implementation of, tariffs and other barriers to international trade may generate a diverse set of impacts.

Industry Partnerships

Industry partnerships bring together multiple employers in the same industry, along with workforce development and community partners. These public-private partnerships convene to align workforce planning with the needs of employers in order to create industry-specific solutions. The Philadelphia region has several industry partnerships in the following industries: Advanced Manufacturing; Logistics, Transportation, and Distribution; Hospitality and Entertainment; Technology; and Life Sciences/Cell and Gene Therapy.

Neighborhood Revitalization

The City drives growth and neighborhood revitalization through strategic investments and place-based economic development strategies. These strategies include (i) providing direct support and investing in businesses and entrepreneurs; (ii) investing in the capacity of community organizations and business associations; and (iii) investing in physical environment and infrastructure of neighborhood commercial districts.

The Planning Commission has identified approximately 300 commercial corridors in the City. While the City's Department of Commerce supports all businesses throughout the City, there are approximately 80 corridors that are targeted for support and investment. These 80 areas are neighborhood based, pedestrian and transit oriented, and have a high density of commercial spaces (average 100 businesses in a 3-4 block area). Examples of vibrant commercial corridors include 2nd Street in Old City, 52nd Street in West Philadelphia, Main Street in Manayunk, North 5th Street in Olney, and Woodland Avenue in Southwest Philadelphia.

The City's Commerce Department employs a three-prong corridor strategy. First, it provides direct support to businesses through Business Services Managers, grant programs, and referrals to partner agencies funded to provide technical assistance, training, and lending. Commerce also supports the Philadelphia Business Lending Network (PBLN), which simplifies the process for businesses applying for loans. This service provides access to nonprofit and for-profit lenders with one form.

Second, the City drives commercial corridor revitalization through support of local management organizations such as business improvement districts (BIDs), community development corporations (CDCs), and business associations. The City currently provides funding to 48 organizations through corridor management, a CDC Tax Credit Program, and/or CDC Economic Development Support Grants. These community-based staff help neighborhood businesses take advantage of programs and resources, as well as attract new businesses to vacant properties and storefronts. For the targeted corridors that do not have a caretaker, the Commerce Department provides Business Services Managers that perform that role and work to build local capacity so the City has a partner to support businesses. The City also provides funding to neighborhood nonprofits for acquisition and construction of commercial and mixed-use properties to remove blight and encourage commercial development.

Third, the City invests in the public environment. It supports Business Improvement Districts (BIDs) and manages the \$23.8 million PHL Taking Care of Business (PHL TCB) Clean Corridors Program, which provides sidewalk cleaning on 131 corridors around the City. The City provides funding and design support to reimburse businesses for improvements to their storefronts, including lighting, signage, windows, and for installation of security camera systems. Lastly, the City manages streetscape improvement projects and funds other capital investments like bus shelters, Bigbelly waste control, and police cameras.

City and Quasi-City Economic Development Agencies

City of Philadelphia - Department of Commerce ("Commerce")

The mission of the Department of Commerce is to be a catalyst for economic growth in Philadelphia.

Grow Philly is the Philadelphia Department of Commerce's strategic roadmap for business and community success, with the goal to deliver excellent service to businesses, drive growth, revitalize commercial corridors, and establish Philadelphia as a premier global business destination with an impact-driven workforce system.

The Department of Commerce employs seven strategies and, under each strategy, invests in a portfolio of projects designed to maximize impact and achieve the City's goals, which are as follows:

1. Streamline the Business Experience
2. Offer Business Education & Capacity Building
3. Provide Direct Capital to Businesses
4. Proactively Attract & Retain Businesses
5. Activate Neighborhood Economic Growth
6. Advance Innovative Workforce Solutions
7. Enable Efficient & Effective Operations

City of Philadelphia - Department of Planning and Development (“DPD”)

The Department of Planning and Development aligns the City’s agencies by allocating resources to support the development of housing and investment into communities. DPD works in collaboration with communities to promote, plan, preserve, and develop successful neighborhoods. DPD includes the Division of Housing and Community Development (DHCD); Division of Planning and Zoning (DPZ); and Division of Development Services (DS). DPD works closely with the Philadelphia Housing Development Corporation (PHDC), the City’s full-service community development organization. DS implements the Mixed Income Housing Bonus Program and the Mandatory Income Neighborhoods Program from the zoning code. DPZ promotes community development through its boards and commissions: Philadelphia City Planning Commission (PCPC), Philadelphia Historical Commission (PHC), Philadelphia Art Commission (AC), and Zoning Board of Adjustment (ZBA). DHCD leads the City’s efforts to address the ongoing national housing crisis in Philadelphia by financing and facilitating housing construction and housing renovation, improving and adapting individual homes and advancing neighborhood quality of life improvements. The DHCD manages the Housing Trust Fund and creates and manages implementation of the Consolidated Plan, a federally-mandated plan and budget that must be updated yearly in order to receive federal Community Development Block Grant funding.

Philadelphia Housing Authority (“PHA”)

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

Philadelphia Housing Development Corporation (“PHDC”)

PHDC is a 30-year-old, full-service community, and economic development entity with an annual program budget of more than \$60 million and \$23 million for operations. It works to build stronger communities by creating and preserving affordable housing, supporting economic development projects, and redeveloping vacant land and properties throughout the City.

PHDC staffs the PLB (as defined herein) and the PRA boards and functions. All land management, community investment functions, and housing improvement programs now operate under one leadership team at PHDC. PHDC’s Home Improvement programs serve approximately 5,000 people annually and help to stabilize over 100 small businesses. Under a contract with the DPD, from Fiscal Years 2020 through 2022, \$65.5 million in PHDC financing leveraged funding for 1,313 units at 26 developments.

PHDC also supports the Philly First Home Program, providing grants of up to \$10,000 to low and middle-income first-time home buyers. To date, such program has supported over 3,700 residents in home purchases and has led to approximately \$600 million in mortgages from banking institutions. PHDC is continuing to expand homeownership opportunities by leveraging the land acquired by the PLB to support private developers to build 100 new homes on these parcels. In Fiscal Year 2022, PLB disposed of 70 parcels, on which 203 housing units were built and title to 27 side yards/gardens was transferred. Such parcels also support four economic development projects.

Philadelphia Land Bank (“PLB”)

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

Another PLB responsibility is to develop a strategic plan for vacant land in Philadelphia. In the PLB’s 2019 update to its strategic plan, certain key achievements were highlighted, including, among other things, (i) an increase in acquisitions (up from 21 in Fiscal Year 2017 to 276 in Fiscal Year 2018 and 463 through the second quarter of Fiscal Year 2019); (ii) an increase in dispositions (up from 18 properties conveyed in Fiscal Year 2017 to 78 conveyed in Fiscal Year 2018 and 132 properties conveyed through the second quarter of Fiscal Year 2019); and (iii) formalizing the process for executing license agreements.

Philadelphia Industrial Development Corporation (“PIDC”)

Established as a public-private partnership in 1958 by the City and the business community, PIDC is a non-profit organization that offers flexible financing tools, a targeted portfolio of industrial and commercial real estate, and expertise to help clients invest, develop, and grow in Philadelphia. PIDC also structures and invests in public-private partnerships for key City policy areas and development priorities. Over the past 65+ years, PIDC and its affiliates have settled over 13,500 transactions, including nearly \$21 billion in financing that has leveraged tens of billions of dollars of total investment and assisted in creating and retaining hundreds of thousands of jobs in Philadelphia. As of year-end 2024, PIDC managed a direct loan and third-party portfolio exceeding \$522 million across 548 loans and a 135-acre publicly-controlled industrial land inventory.

PIDC continues to advance development projects in key areas across Philadelphia. PIDC remains committed to transforming 40 riverfront acres along the Lower Schuylkill River into a world-class urban campus for modern manufacturing, supporting up to one million square feet — a development project marketed as the Lower Schuylkill Innovation Campus (formerly “Lower Schuylkill Biotech Campus”). This vision stems from the City’s 2010 Industrial Land and Market Strategy and the 2013 Lower Schuylkill Master Plan, which identified this corridor as an “Innovation District.” Despite shifting economic conditions and capital market trends, PIDC remains dedicated to preparing the site for future development, ensuring it is shovel-ready by continuing land remediation, enhancing infrastructure, and improving connectivity with nearby communities. Future plans will consider additional innovative advanced manufacturing uses while prioritizing job creation accessible to Southwest Philadelphia residents, particularly those without college degrees.

In 2024, PIDC and its developer partners continue to implement the updated Navy Yard master plan released in summer 2022, which details a comprehensive vision for the Navy Yard that incorporates development that has occurred to date, integrates and refines future development plans, and charts an innovative course for public realm, transportation, and infrastructure in the Navy Yard’s next stage of growth. The plan calls for a total of over 4.3 million square feet of new construction and adaptive reuse supporting commercial and life sciences development, complemented with retail, hospitality, additional welcoming open spaces, expanded transit options, and — for the first time since the military base closure

— residential units. After breaking ground in 2023, construction progressed in 2024 on the \$285 million Chapel Block residential project which will bring 614 units (including 91 affordable workforce housing units) and residents to the Navy Yard for the first time in decades. This project includes a \$100 million equity fund raised by Basis Investment Group.

Also, the Skill Initiative at the Navy Yard – a workforce training and development partnership between PIDC and the West Philadelphia Skills Initiative – continues to connect more Philadelphians (over 115 since the program’s inception) to full-time employment. This program creates access to meaningful career opportunities in one of the region’s fastest growing sectors.

After a \$22 million reconstruction project to rebuild Broad Street at the Navy Yard, the gateway road has reopened. This project was a critical step in restoring safe, multimodal access to the Navy Yard for its 150 companies, 15,000+ employees, and thousands of annual visitors, while also advancing PIDC’s \$6 billion redevelopment partnership that, at full buildout, is expected to generate over 12,000 additional quality jobs over the next 20 years. The Navy Yard also welcomed new corporate partners in 2024, including bioMérieux, which opened a \$125 million Molecular and Genetic Innovation Center, and Axalta, which established its new headquarters at the Navy Yard.

In 2024, PIDC played a key role supporting the development of the Bellwether District in Girard Point/Passyunk, closing on a major Welcome Fund (EB-5) loan to Hilco Redevelopment Partners. This project will help remediate and redevelop a 1,300-acre brownfield site into a logistics and life sciences hub, supporting or creating more than 1,500 jobs. PIDC remains committed to driving economic growth across Philadelphia by leveraging strategic investments, fostering real estate development, and strengthening small businesses. These efforts ensure that Philadelphia continues to attract investment, create jobs, and support thriving communities citywide.

Philadelphia Redevelopment Authority (“PRA”)

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

Philadelphia Works, Inc. (“PhilaWorks”)

PhilaWorks is the City of Philadelphia’s designated workforce development board and a 501(c)(3) non-profit organization. PhilaWorks invests in solutions and services that support the growth of Philadelphia’s economy by connecting employers to workforce talent and career seekers to employment and training opportunities. Additionally, PhilaWorks influences the public policies that support economic growth throughout the region and optimizes funding and resources to invest in solutions that build a skilled and thriving workforce.

PhilaWorks manages the City’s public workforce system, PA CareerLink® Philadelphia, and a network of youth workforce providers. The system offers skills gap training/upskilling, long-term career planning, and tech talent solutions for career seekers and talent pipeline development, subsidized wage programs, and tax incentives for employers. Annually, PhilaWorks engages approximately 60,000 local career seekers through in-person and online services, another 200,000 via direct outreach, and more than

2,000 businesses. PhilaWorks receives approximately \$70 million in state and federal investments to administer these services. This money is divided between WIOA (Workforce Innovation and Opportunity Act) and TANF (Temporary Assistance for Needy Families) funds.

In 2022, PhilaWorks secured \$22.7 million from the Economic Development Administration's (EDA) Good Jobs Challenge to accelerate recovery and targeted growth in Healthcare & Life Sciences, Energy, and Infrastructure over the next 24-36 months.

Rebuilding Community Infrastructure Program ("Rebuild")

The Rebuild program, using funds from the Philadelphia Beverage Tax (see "REVENUES OF THE CITY – Other Taxes"), invests hundreds of millions of dollars in Philadelphia's parks, recreation centers, and libraries. Rebuild prioritizes sites in high-need neighborhoods, as well as sites that are in extremely poor condition. This program is intended to catalyze economic development, make capital improvements in neighborhood public and shared spaces, and build capacity and opportunities for businesses and job opportunities for local residents. In 2025, the Rebuild program will have approximately \$100 million of construction underway, with 24 groundbreakings and ribbon cuttings planned.

Private and Nonprofit Economic Development Agencies

Local Chambers of Commerce ("Chambers")

The City of Philadelphia partners with multiple chambers representing the county and region. In 2021, a collective of local chambers of commerce announced a formal partnership to collaboratively facilitate entrepreneurship and growth, advocate on shared issues, and increase each member's organizational efficiency. The Greater Philadelphia Chamber of Commerce leads the region's business advocacy and business and talent attraction efforts, which include Select Greater Philadelphia.

Business Improvement Districts ("BIDs")

Since the founding of the Center City District (CCD) in 1990, BIDs have been important partners in the economic development of Philadelphia. BIDs are local organizations that are organized by property owners and businesses to cooperatively fund services within their local area. BIDs are formed when these stakeholders create a plan and secure approval through City Council which enables BIDs to collect a mandatory annual BID assessment from property owners in the area receiving the BID services. Philadelphia has 15 BIDs, including the North Broad Business Improvement District which was approved in November 2022. BIDs typically provide cleaning and beautification services, and market their districts and host special events to attract shoppers to the area. BIDs are important advocates for the businesses located in their areas. BID staff are important partners to the City in making sure that neighborhood businesses are aware of local programs and other business development resources.

The Philadelphia BID Alliance, formed in 2020, is a citywide association of the 15 BIDs and aligned organizations. It is a venue for sharing best practices among BID staff and advocates for BIDs and the interests of the businesses their organizations support.

Community Development Corporations ("CDCs")

Philadelphia has more than 40 non-profit CDCs that invest resources in managing a neighborhood commercial corridor. CDCs work to keep commercial areas safe, free of litter, and attractive. They strive to bring visitors and shoppers to support local economies and create opportunities for local entrepreneurs

and small businesses that seek a brick-and-mortar space from which to operate. CDC staff, including the position of “commercial corridor manager” or “business district manager,” are often the most visible faces working to build trust with business owners, respond to their concerns, and help them grow and succeed in business.

Philadelphia offers various grant and partnership programs to support the work of these important community partners, including the CDC Tax Credit and Economic Development Support grants, the Targeted Commercial Corridor Management Program, and partnership with the Philadelphia Association of CDCs and Local Initiatives Support Corporation (LISC) Philadelphia for capacity-building and staff training programs. The City also has a CDC Tax Credit program that allows businesses to support local CDCs in exchange for a one-to-one tax credit. Through this program and its accompanying CDC Economic Development Support Grant, the City provides operating support to 47 community based nonprofit organizations that perform economic development activities.

Within these programs, economic development activities are defined as business support services such as assistance in navigating City business processes, accessing grants and financing, connecting to technical assistance providers, and supporting business associations, as well as undertaking planning and commercial development projects that improve access to high-quality goods and services in all neighborhoods of the City.

Visit Philadelphia

Established in 1996, Visit Philadelphia markets Philadelphia to promote leisure travel. The organization utilizes robust campaigns, media relations, advertising, websites, and social media to promote tourism. According to the Visit Philly 2023 Annual Report, of the 3.2 million hotel rooms consumed, demand was greatest among leisure visitors, who were projected to lead the Center City recovery. In 2023, the City welcomed 25.8 million visitors, marking a 7% increase from 2022. These visitors contributed \$4.4 billion in spending and generated a total economic impact of \$6.6 billion. The tourism sector supported 50,525 hospitality-related jobs in Philadelphia, reflecting a 9% rise from the previous year. State and local tax revenues from tourism reached \$387 million, a 15% increase over 2022. Hotel performance in the City also improved, with occupancy rates climbing to 62.3% and average daily rates reaching \$202.

Philadelphia Convention & Visitors Bureau (“PHLCVB”)

Established in 1941, the Philadelphia Convention and Visitors Bureau (PHLCVB) is a private, nonprofit corporation that serves as the official tourism promotion agency for the City to overseas markets, as well as the primary sales and marketing agency for the Pennsylvania Convention Center. PHLCVB also books domestic group tours. PHLCVB markets Philadelphia broadly to attract overnight visitors through innovative content such as advertising, marketing, public relations, and digital campaigns. In 2023, PHLCVB had 20 citywide events on the books – gatherings that generate 2,000 or more hotel room stays on its peak night.

The Philadelphia Convention Center (the “Convention Center”) was completed in 1993, and underwent a substantial expansion that was completed in 2011. The Convention Center offers more than 1 million square feet of flexible event space, including seven exhibit halls with 679,000 square feet of space, 82 meeting rooms, and two ballrooms. In 2023, the Pennsylvania Convention Center held 264 events with 550,136 attendees.

Pennsylvania Community Development Financial Institution Network (“PA CDFI Network”)

Founded in 1997, the PA CDFI Network is a statewide collective of community development financial institutions (CDFI) that provide affordable loans and technical advisory services to companies unable to access financing through traditional channels. The network seeks to build the capacity and expand the reach of its CDFI members, individually and collectively, to serve all people and places across Pennsylvania. In order to do this, the Network educates Pennsylvania residents, businesses and legislators about the purpose and function of CDFIs in promoting community development. In 2022, local CDFIs also secured a \$100 million commitment through an emerging bank-led Greater Philadelphia Financial Services Leadership Coalition to further support Philadelphia businesses. These collaborations present a promising model to create systematic supports for the City’s small businesses and showcase the potential for future collaborations across the entrepreneurship ecosystem.

CDFIs are certified by the Community Development Financial Institutions Fund at the U.S. Department of the Treasury, which provides funds to CDFIs through a variety of programs.

Entrepreneurship Ecosystem

Philadelphia has a legacy of community and small business development supported by many nonprofit organizations and government-supported endeavors. The City was the original headquarters of the Opportunity Finance Network and is home to unique public-private partnerships like PIDC and Ben Franklin Technology Partners. In 2021, United Way of Greater Philadelphia and Southern New Jersey, in partnership with the City and PIDC, issued an Equitable Entrepreneurship Ecosystem Assessment and Strategy that is guiding future investments. The strategy reflects the multitude of nonprofits actively supporting entrepreneurs in Philadelphia. These organizations continue to convene and collaborate in quarterly meetings. The Business Resource Convening brings together business service nonprofit organizations to network and tackle barriers to entrepreneurship. The Philadelphia Business Lending Network also convenes private banks and nonprofit lenders that collaborate around improved access to capital.

CULTURE, TOURISM, AND AMENITIES

Museum and Attractions

Crucial to tourism is the City’s robust arts and culture sector. One in three tourists who come to Center City cites museums and cultural events as the primary reason for their visit. Top attractions include Independence National Park, the Philadelphia Museum of Art, the Philadelphia Zoo, Reading Terminal Market, the Franklin Institute, Eastern State Penitentiary, and Franklin Square, among others.

Philadelphia is considered the “mural capital of the world” and provides the largest collection of public art in the U.S. The Benjamin Franklin Parkway (also called the “Parkway” or the “Museum Mile”) alone comprises renowned art and cultural sites, such as Love Park, the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, The Barnes Foundation, the Free Library of Philadelphia, the Academy of Natural Sciences, and numerous pieces of public art. In 2021, over \$230 million in renovations were completed at the Philadelphia Museum of Art, opening 90,000 square feet of new public space. The Franklin Institute’s space exhibit was expanded to about 7,000 square feet in 2023, with the \$8 million expansion opening in November 2023. In addition, a new \$70 million museum, Calder Gardens, is being constructed and is scheduled to open in 2025. Over the next several years, the African American Museum in Philadelphia is also expected to move to a new location on the Parkway.

Organizations like the Philadelphia Museum of Art, the Kimmel Center, Pennsylvania Academy of the Fine Arts, Fringe Arts, and more than 490 smaller cultural organizations throughout the City help improve the quality of life for residents and visitors. Philadelphia's downtown arts and cultural organizations, the second largest concentration in the country, were challenged by the pandemic, but adapted with virtual programming and outdoor performances, and are now rapidly recovering. Philadelphia was recently named one of 11 cities around the world that are home to "Must-See Public Art," per Travel + Leisure's 2022 list, which cites iconic sculptures such as LOVE and Rocky, as well as the work done by Mural Arts Philadelphia and the Association for Public Art.

Sports

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

The Philadelphia Eagles' Super Bowl LIX victory in February 2025 significantly boosted the City's tourism and hospitality sectors. Between February 13 and 15, Center City hotels experienced a surge, selling over 11,000 additional rooms and generating approximately \$4.3 million in extra revenue. Hotel occupancy rates reached 90% during this period, a notable increase compared to the same timeframe in 2024. The Super Bowl parade on February 14 attracted more than 919,000 residents, workers, and visitors to Center City, nearly doubling the typical Friday foot traffic.

Over the next five years, Philadelphia will host several of the world's biggest sporting events, including five NCAA Championships, as well as the PGA Championship (to be held within the greater metropolitan area), Major League Baseball All-Star Game, FIFA World Cup in 2026, the Penn Relays, and Big 5 Basketball (University of Pennsylvania, La Salle University, Saint Joseph's University, Temple University, Villanova University, and Drexel University (added 2023-2024)). The Army-Navy Game will return in 2027.

Within the greater metropolitan area, the Philadelphia Union of Major League Soccer play their home games (at Subaru Park in Chester, Pennsylvania, next to the Commodore Barry Bridge on the waterfront along the Delaware River).

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

The Phillies and Comcast Spectacor, which owns the Philadelphia Flyers, have announced joint efforts to transform the South Philadelphia Sports Complex. The plans include two phases – (i) phase one would include upgrades to Xfinity Live!, and the addition of a mid-sized concert venue, a hotel, new retail shops, and an outdoor plaza to the South Philadelphia Sports Complex between Pattison Avenue and the Wells Fargo Center, and (ii) phase two would include additional development around the Wells Fargo Center, expand the outdoor plaza to Citizens Bank Park, and add another hotel, residential units, an office space, and additional restaurants, retail shops, and green space.

In 2021, Philadelphia opened The Block, the nation's first esports campus spanning 40,000 square feet. Located in Center City, The Block is also home to Localhost, a dedicated esports arena,

which is accessible to the public for hourly gameplay and hosts local and national, amateur and professional esports events.

In January 2025, the Philadelphia 76ers abandoned their proposal for a \$1.3 billion arena in Center City's Market East district. Instead, they announced a partnership with Comcast Spectacor to build a new arena within the South Philadelphia Sports Complex, set to replace the Wells Fargo Center by 2031. This collaboration also aims to bring a WNBA team to the city, further enhancing Philadelphia's sports infrastructure.

Music, Theater, and Dance

Considered to be one of the top theater cities in the U.S. with the oldest theater in America built in 1809, Philadelphia continues to entertain audiences centuries later with theatre, musicals, shows, orchestras and operas. Theaters and performing arts institutions include the Philadelphia Orchestra, Opera Philadelphia, Kimmel Center for Performing Arts, Walnut Street Theater, Philadelphia Ballet, Penn Live Arts, Philadelphia Theater Company, Curtis Institute of Music, Academy of Music, and more.

As aforementioned, music is key to Philadelphia's creative economy. Prominent concert venues include the Met, the Fillmore, Theater of the Living Arts (TLA), Wells Fargo Center, Union Transfer, Franklin Music Hall, World Café Live, the Pennsylvania Convention Center, in addition to numerous local music bars, clubs, coffee houses, and smaller live music venues. Philadelphia has hosted multiple annual music festivals such as Jay Z's Made in America, the Roots Picnic, the Philadelphia Folk Festival, and HiJinx. Millennials cite the Philadelphia music scene as one of their primary reasons for permanently moving into the City and making it their home.

Philadelphia Ballet broke ground in September 2022 to expand its home on North Broad Street, the Philadelphia Ballet Center for Dance. The five-story center is expected to be completed in 2026 and will feature, among other things, new rehearsal studios, administrative offices, a black box performance space, innovation and rehearsal space, new spaces for community programs and events. The transformative renovation and expansion will add 43,000 square feet to the company's existing building.

Historic District

Key to the City's leisure and hospitality growth is the maintenance and investment in the City's extraordinary historic assets. Philadelphia has 67 National Historical Landmarks in what's called the nation's "most historic square mile." As the birthplace of the country, Philadelphia remains a major tourist destination year-round, particularly the City's Historic District in Old City, which includes various museums and cultural centers, as well as such national treasures as the Liberty Bell, Independence Hall, Carpenters' Hall, the Betsy Ross House and Elfreth's Alley, the oldest residential street in the U.S. The City continues to invest in the maintenance and expansion of the Historic District's tourist experience.

Old City is home to some of the country's oldest historical assets. Independence National Historical Park is an international destination, attracting 4.8 million visitors annually. Important culturally and economically, Old City is also home to world-class museums, theaters and art galleries. The neighborhood offers excellent hotels, a wide range of dining and nightlife establishments, independent retailers, public parks, and a diverse mix of technology, media, professional, and service organizations. Some 5,200 residents live in Old City's historic townhouses, industrial loft apartments, and new condominium properties. Old City is located within a Keystone Innovation Zone, meaning that technology, energy, and life sciences businesses may be eligible for up to \$100,000 in Commonwealth tax credits.

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

Retail Market

For two decades, Philadelphia has steadily diversified downtown land use creating a broad retail customer base that includes workers, tourists, regional customers and a downtown population that is the third largest in the U.S. Staple downtown shopping destinations include Rittenhouse Square, Shops at Liberty Place, University Square, and Fashion District in Market East. During the winter holidays, Center City also opens Christmas Village and the Made in Philadelphia Holiday Market.

Center City’s vibrant sidewalks offer customers the ability to discover a mix of local and regional retailers and restaurants. Downtown retail has proven resilient, with vacancy declining and brokers reporting an uptick in tenant interest and leasing activity. More than 285 new retailers, restaurants and service-oriented businesses have opened in Center City since 2020, with 52 signed leases in 2024. As of March 2025, Center City’s occupancy rate was 83%, nearing the pre-pandemic level of 89%. Retail brokers have also reported continued tenant inquiries, tours, and active lease negotiations.

Market East, an important commercial area between City Hall and the City’s Historic District is experiencing significant development. In late 2019, Fashion District Philadelphia (formerly the Gallery mall) opened to the public. A \$420 million redevelopment project, the Fashion District is a unique retail development offering fashion, dining, entertainment, and arts and culture. The revitalization of this section of the City, also considered a major transport hub, is expected to be transformative.

Philadelphia’s more than 300 commercial corridors are vibrant retail hubs in neighborhoods like Old City, the Gayborhood, Midtown Village, Fishtown, Northern Liberties, Germantown, Manayunk, Chinatown, as well as throughout Philadelphia. The City’s retail market generates more than \$1 billion in annual retail demand, and such figure is expected to increase as more retail space is currently under construction.

Restaurants and Nightlife

Philadelphia has experienced significant growth in its retail and restaurant sectors, reflecting improved quality of life and cultural vibrancy. Center City alone boasts 422 full-service restaurants and nearly 1,000 food establishments, contributing to the City’s nationally recognized dining scene. Highlights include Chinatown, the Italian Market, and Reading Terminal Market, which added a \$1 million outdoor dining and event space. In 2023, Philadelphia gained recognition as the city with the most James Beard Award-winning restaurants.

In 2024, Philadelphia celebrated the culinary achievements of Vietnam Restaurant and Isgro Pastries, both of which received prestigious James Beard Awards. In 2025, the region continues its strong showing in the competition, with 14 semifinalists in various categories. Notable nominations include:

- Best Chef: Yun Fuentes (Bolo), Jesse Ito (Royal Sushi & Izakaya), Amanda Schulman (Her Place Supper Club), Anthony Andiaro (Andiaro), and Juan Carlos Aparicio (El Chingon).
- Outstanding Pastry Chef: Abigail Dahan (Providence).
- Outstanding Chef: Greg Vernick (Vernick Fish).
- Outstanding Restaurant: Kalaya.

- Emerging Chef: Phila Lorn.
- Outstanding Bakery: Machine Shop.
- Outstanding Hospitality: Little Fish.
- Outstanding Wine and Beverage Program: Caphe Roasters.
- Outstanding Bar: The Lovers Bar at Friday, Saturday, Sunday.
- Best New Bar: Kampar Kongsu (in the newest competition category).

Philadelphia also has a thriving bar and nightlife scene. To enhance the City's nighttime economy, a full-time Director of the Nighttime Economy was hired in 2022. This role facilitated a citywide listening tour, a year-in-review report, and an impact study to evaluate the nighttime economy's contributions to the City and region.

In 2023, Philadelphia made significant strides toward becoming a true 24-hour city. Among these efforts was the introduction of "Define the Night" legislation, spearheaded by Councilmember Isaiah Thomas which refined the definitions of nightclubs and private clubs, creating a new use category for event assembly facilities to better support nightlife-related activities.

In 2024, the Department of Commerce launched the Liberty Bell Safe Certification Program, designed to promote a safe, inclusive, and vibrant nighttime economy. This voluntary program trains businesses and their staff to manage unique nighttime challenges, ensuring patron safety while reinforcing Philadelphia's reputation as a secure and welcoming destination. Twenty-two businesses participated in the pilot phase, and the program is set to officially launch in 2025.

Casinos

Rivers Casino

Philadelphia's first casino, Rivers (formerly SugarHouse), originally opened in September 2010 and underwent a \$15 million rebrand in 2019. One of Philadelphia's largest employers, Rivers Casino sits on the Delaware River waterfront offering an array of slot machines, table games and dining options. Its operations also include a multi-purpose event space with waterfront views, restaurants, live entertainment, and a parking garage.

Cordish Live! Casino

Live! Casino & Hotel Philadelphia, which opened in January 2021, is a \$700 million world-class hotel, gaming, dining and entertainment destination featuring 2,000+ slot machines and 150+ live action table games, an upscale 200+ room hotel, a new 2,700-space parking garage, locally and nationally-recognized restaurants and live entertainment venues. The project is located in the heart of the Stadium District in South Philadelphia, immediately proximate to Xfinity Live!, The Cordish Companies' premier dining and entertainment district. The project creates the first comprehensive gaming, resort, entertainment, and sports destination in the United States, making it a true regional destination.

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Waterfront Developments

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

Delaware River Waterfront Corporation ("DRWC")

The Delaware River has historically been a center of activity, industry, and commerce, bounded at its north and south ends by active port facilities. The City adopted a Master Plan for the central Delaware River in 2011. DRWC, in partnership with the City, is a nonprofit corporation that works to transform the central Delaware River waterfront into a vibrant destination for recreational, cultural, and commercial activities. Over the last 10 years, DRWC has successfully opened four adaptive reuse park projects built on former pier structures, including the expansive Delaware River Trail in 2022 and the newly renovated Cherry Street Pier in 2018. DRWC has several development projects underway, such as Graffiti Pier, the South Wetlands Park, and the Park at Penn's Landing, which will include the creation of a cap over I-95 and connect Old City Philadelphia with the Delaware River. The proposed 11-acre, multimillion-dollar park project is in the planning stages. Construction of the park began in early 2023 and is scheduled to be completed in 2028. DRWC, the City, and the Commonwealth have also partnered to redevelop Penn's Landing, a major public space along the Delaware River waterfront. The resulting civic space will leverage investment from private sources for the redevelopment of the adjoining parcels. The City's contribution to this project is \$80 million (\$60 million toward the park/topside amenities and \$20 million toward the Schuylkill River Trail). The project is expected to generate approximately \$1.6 billion of new revenues benefiting the City, School District, and Commonwealth. Potential future development includes two parcels that could bring 1,500 new housing units, 500 hotel rooms, and over 100,000 square feet of retail, dining, and entertainment to the waterfront.

Schuylkill River Development Corporation ("SRDC")

Redevelopment along the Schuylkill River is managed by a partnership among SRDC, the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, Commonwealth, City, and private agencies to coordinate, plan and implement economic, recreational, environmental and cultural improvements, and tourism initiatives on the Schuylkill River. From 1992 to 2017, \$70 million was invested by SRDC, the City, and partners along the tidal Schuylkill to create 3.65 miles of riverfront trails within 30 acres of premiere park space in the heart of the City, and has added amenities to the Schuylkill River Park such as floating docks, fishing piers, a composting toilet, and architectural bridge lighting. SRDC continues to work towards meeting its goal of creating and maintaining trails and green space along the tidal Schuylkill River in Philadelphia, such as the Christian to Crescent Connection. This trail section will connect neighborhoods on both sides of the Schuylkill River to a vast existing network of parks and trails, including the Schuylkill River trail, Fairmount Park, and the regional network of recreational trails and related facilities known as the Circuit. It will also provide those neighborhoods with a direct pedestrian and bicycle route to Center City's jobs and services. In addition, it will help complete Philadelphia's segment of the East Coast Greenway.

SRDC also worked with the City to extend Schuylkill Banks to 61st Street. The project included the construction of approximately 1,800 feet of trail, shoreline stabilization, constructing stormwater infiltration basins, planting approximately 125 trees, restoring approximately 1.6 acres of degraded industrial land, as well as constructing an overlook, and a fishing plaza. This project is the first phase of a larger trail extension project. Bartram's to 61st Street was completed in 2021. Bartram's Mile Fishing

Pier was also rehabilitated in 2022. Work is underway on the Schuylkill Crossing at Grays Ferry and the Christian to Crescent Connector trail segment. Plans continue for the 61st Street to Passyunk trail segment, bringing the City closer to installing a trail and greenway with vital riverfront access along the entire tidal Schuylkill. Since 2005, Philadelphia has benefitted from more than \$1 billion in development along the Schuylkill River, with more planned by private developers, universities, and healthcare institutions.

TRANSPORTATION

Public Transportation

General. The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to PHL (as defined herein) and to the surrounding counties. For more information on SEPTA, see “– Southeastern Pennsylvania Transportation Authority” and APPENDIX A – “EXPENDITURES OF THE CITY – City Payments to Southeastern Pennsylvania Transportation Authority (SEPTA).” SEPTA faces an operating funding crisis which will lead to service cuts and significant fare increases without additional investment from the state.

A high-speed train line runs from southern New Jersey to Center City and is operated by the Port Authority Transit Corporation (“PATCO”), a subsidiary of the Delaware River Port Authority. On the average pre-COVID-19 weekday, PATCO brings approximately 30,000 riders to Philadelphia.

New Jersey Transit operates 16 different bus routes that serve Philadelphia, as well as the Atlantic City Train Line, which terminates in Philadelphia. In Fiscal Year 2023, there were almost 3 million passenger trips on these bus lines. There were also 500,000 passenger trips on the Atlantic City Line in the same period.

AMTRAK, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to other major cities and markets in the United States. According to Amtrak, Philadelphia’s 30th Street Station is the third busiest station in the United States. Amtrak provides direct service along the Northeast corridor to destinations such as New York, Trenton, Wilmington, Baltimore, and DC, as well as service along the Keystone line to Harrisburg and Lancaster, plus several long-distance routes to other national locations.

Philadelphia’s 30th Street Station is undergoing a large-scale restoration and renovation project, which is expected to enhance the station’s functionality and improve the customer experience for Amtrak, SEPTA, and NJ TRANSIT customers. Improvements at the Market Street Plaza, with expanded retail offerings and other benefits to the local community, are part of the project. The project is also part of a larger development project and part of the Philadelphia 30th Street Station District Plan.

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

The City is served within City limits by numerous private buses and shuttles. These buses and shuttles are operated by apartment complexes, universities, and private companies. These buses and

shuttles connect Philadelphians to transit hubs, employment, and residences. A rail line reaches PHL in less than 20 minutes from the City's central business district and connects directly with the commuter rail network and the Pennsylvania Convention Center.

Philadelphia launched the Indego bike share program, sponsored by Independence Blue Cross, in April 2015. The system launched with 600 bicycles and 70 stations in central Philadelphia and the surrounding neighborhoods. Since that time, it has more than doubled in size to a network of 250+ stations spanning from East Falls to the Navy Yard, and from the Delaware River to 53rd street.

Indego ridership continues to grow. 2024 ridership was 1.27 million, a 17% increase over 2023. This growth is an effect of the concession contract for the operations of Indego. Bicycle Transit Systems, a Philadelphia-based company, which began a 10-year agreement in January 2021, will fund significant expansion over the coming years. When complete, the system will include more than 350 stations and 3,500 bicycles with a fleet of approximately 50% electric assist bicycles. In 2024, the Indego system has expanded to over 250 stations and 2,000 bikes.

Bipartisan Infrastructure Law. The federal Bipartisan Infrastructure Law, as enacted in the Infrastructure Investment and Jobs Act, provides unprecedented funding levels for infrastructure upgrades to not only the City, but also SEPTA, PennDOT, AMTRAK, and the Port of Philadelphia. The City estimates over \$700 million in federal funding to be available through this program, in addition to approximately \$180 million in State funds for infrastructure projects. The City has already been awarded over \$751 million in formula and discretionary funding as of February 2025 with other agencies receiving an additional \$1 billion for projects in Philadelphia. The City is currently monitoring federal funding policy decisions and any possible funding impacts related thereto. No funding has been frozen or rescinded as of May 2025.

Southeastern Pennsylvania Transportation Authority

SEPTA operates facilities across the PMSA, encompassing approximately 2,200 square miles and serving approximately 4.1 million inhabitants. SEPTA operates service 24 hours a day, seven days a week, 365 days a year. A significant segment of the region relies on SEPTA for public transportation and annual SEPTA ridership totaled more than 292.9 million in Fiscal Year 2019, which dropped to 105.8 million in Fiscal Year 2021 but recovered to 198.3 million in Fiscal Year 2024.

The remaining ridership gap combined with inflation has caused a \$213 million structural operating deficit, reduced from \$240 million by the introduction of fiscal austerity measures. While talks are ongoing with the state and additional funding has been proposed in the Governor's budget proposal, no agreement has been reached with the Pennsylvania Senate as of May 2025. SEPTA plans to close the operating gap by instituting a 21.5% fare increase and reducing service by 45%. Service impacts would hit in two phases – a 20% service reduction in the fall of 2025 with the remaining cuts to happen at the start of 2026. These cuts will have a significant effect on mobility and the economy of Philadelphia and surrounding counties. In the City, about one-third of Philadelphia households do not have access to an automobile and SEPTA service reduction will have a unique impact on such households. Also, service reductions will have an impact on traffic volume and patterns in the region.

SEPTA's operations are accounted for in three separate divisions: City Transit; Regional Rail; and Suburban Transit. The City Transit Division serves the City with a network of 89 subway-elevated, light rail, trackless trolley and bus routes, providing approximately 852,000 pre-COVID-19 unlinked passengers trips per weekday. The Regional Rail Division serves the City and the local counties with a network of 13 commuter rail lines providing approximately 120,000 pre-COVID-19 passenger trips per weekday.

SEPTA continues to rehabilitate and replace critical infrastructure and systems, such as substations, bridges, and stations. Its long-term capital program includes (i) safety and security enhancements, (ii) modernization of communication, signal equipment, and fare collection systems, (iii) replacement of rail vehicles that have exceeded their useful life, (iv) enhancing accessibility, (v) expanding capacity to address ridership growth on applicable lines, (vi) expanding its fleet of hybrid buses, and (vii) performing vehicle overhauls to optimize vehicle performance. SEPTA's capital budget for Fiscal Year 2026 is proposed to be just under \$1 billion dollars. SEPTA made significant changes in its Fiscal Year 2026 12-year capital program by revising all project scopes to have more realistic assumptions. This caused nearly \$2 billion in projects to be removed from the capital plan, even as it added funds to critical programs, such as Trolley Modernization.

As part of a two-year pilot program, the City has partnered with SEPTA to provide free SEPTA passes to eligible City employees through the SEPTA Key Advantage Program. All permanent full-time, part-time and provisional City employees are eligible to participate in this program, which gives them access to travel on all modes of SEPTA transit at no cost.

For more information on SEPTA funding, see APPENDIX A – EXPENDITURES OF THE CITY – City Payments to Southeastern Pennsylvania Transportation Authority (SEPTA).”

Airport System

The airport system consists of the Philadelphia International Airport (“PHL”) and Northeast Philadelphia Airport (“PNE”) (collectively, the “Airport”). PHL and PNE are owned by the City of Philadelphia and operated by the Department of Aviation. The Airport serves residents and visitors from a broad geographic area that includes eleven counties within four states: Pennsylvania, New Jersey, Delaware, and Maryland. PHL serves as a primary hub in American Airlines’ route system.

The Aviation Fund is an enterprise fund of the City. Enterprise funds are established by governmental units to account for services that are provided to the general public based on user charges, and they are operated in a manner similar to business-type activities. The Aviation Fund is self-supporting, using no local tax dollars to operate. The Aviation Fund uses aircraft landing fees, terminal building rentals, concession revenue and other facility charges to fund annual expenses. The Airport’s capital program is funded by airport revenue bonds issued by the City, commercial paper (“CP”), federal and state grants, passenger facility charges (“PFCs”), customer facility charges (“CFCs”), and operating revenues.

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the United States). According to data reported by Airports Council International – North America, PHL was ranked the twenty-first busiest airport in the United States, serving 28.1 million passengers in calendar year 2023. Preliminarily, the Airport estimates the total number of passengers served in Calendar Year 2024 to be approximately 30.9 million, which is an increase of approximately 10% from Calendar Year 2023 passengers.

PHL has approximately 2,598 acres located partly in the southwestern section of the City and partly in the eastern section of Delaware County, about seven miles from Center City Philadelphia. The Airport’s runway system consists of parallel runways, a crosswind runway, a commuter runway, and interconnecting taxiways. PHL’s terminal facilities consist of seven terminal units totaling approximately 3.3 million square feet and include ticketing areas, passenger and baggage screening areas, passenger hold rooms and other amenities, baggage claim areas, a variety of food, retail and service establishments, and other support areas.

Outside of the terminal area, PHL also has the following: six active cargo facilities; various support buildings; training areas; an air traffic control tower; a fixed-base operator; corporate hangars; a fueling supply facility; two aircraft maintenance hangars; a first-class office complex; a 14-story hotel; seven rental car facilities; a cell-phone lot; employee parking lots; and five public parking garages.

PNE is located on approximately 1,118 acres situated within the City limits, ten miles northeast of Center City Philadelphia. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. PNE has no scheduled commercial service.

The Airport's three-year Airport-Airline Use and Lease Agreement (the "Airline Agreement") with its signatory airlines took effect on July 1, 2023, and includes options for two one-year extensions. The Airline Agreement authorized an additional \$935 million in new capital investments, bringing the total airline commitment to advance the Airport's capital development program to approximately \$1.8 billion to rehabilitate and repair the Airport's existing infrastructure, which includes terminal and landside improvements, airfield improvements, security and information technology improvements, land acquisition, and ground transportation improvements, among other things.

Port of Philadelphia

The Port of Philadelphia (the "Port" or "PhilaPort") is located on the Delaware River within the City limits. The Philadelphia Regional Port Authority, recently rebranded as PhilaPort, is an independent Commonwealth of Pennsylvania agency that manages port infrastructure. The Port's facilities are serviced by two Class I railroads (CSX and Norfolk Southern) and provide service to major eastern Canadian points, as well as Midwestern, southern and southeastern U.S. destinations. Over 1,600 local general freight trucking companies operate in the MSA.

The Port has 11 marine terminal leases and 14 deep water berths. The Port's facilities encompass four million square feet of warehousing capacity and are located in close proximity to Interstate 95 and Interstate 76.

In recent years, PhilaPort, along with the U.S. Army Corps of Engineers, completed the Delaware River Main Channel Deepening Project, a long-term project to deepen the main channel of the Delaware River from 40 to 45 feet. To take advantage of the channel deepening project, PhilaPort programmed over \$750 million in capital funding to increase port capacity and competitiveness for containers, automobiles, and breakbulk cargo.

The Port has seen substantial growth in the past ten years. Calendar year 2024 saw an 8% increase in cargo handled to \$7.4 million tons. During the same period, containerized cargo increased 16% to 840,751 Twenty Foot Equivalent Units (TEUs) and automobiles increased 9% to 281,819 units.

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KEY CITY-RELATED SERVICES AND BUSINESSES

Municipal services provided by the City include: (i) police and fire protection; (ii) health care; (iii) certain welfare programs; (iv) construction and maintenance of local streets, highways, and bridges; (v) trash collection, disposal, and recycling; (vi) provision for recreational programs and facilities; (vii) maintenance and operation of the Water and Wastewater Systems; (viii) acquisition and maintenance of City real and personal property, including vehicles; (ix) maintenance of building codes and regulation of licenses and permits; (x) maintenance of records; (xi) collection of taxes and revenues; (xii) purchase of supplies and equipment; (xiii) construction and maintenance of the Airport System (see “TRANSPORTATION – Airport System”); and (xiv) maintenance of a prison system. Certain of these services are described in more detail below.

Water and Wastewater

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

The Water System service area includes the City and has one wholesale water service contract. Based on the 2023 U.S. Census Bureau estimate, the Water System served 1,550,542 individuals. As of June 30, 2024, the Water System served approximately 504,000 active customer accounts using approximately 3,200 miles of mains and approximately 25,000 fire hydrants.

The City obtains approximately 56.8% of its water from the Delaware River and the balance from the Schuylkill River. The City is authorized by the Pennsylvania Department of Environmental Protection (the “PaDEP”) to withdraw up to 423 million gallons per day (“MGD”) from the Delaware River and up to 258 MGD from the Schuylkill River.

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

The Wastewater System’s service area includes the City and ten wholesale wastewater service contracts. Based on the 2023 U.S. Census Bureau estimate, the Wastewater System served 1,550,542 individuals that live in the City and ten wholesale contracts.

As of June 30, 2024, the Wastewater System served approximately 542,000 accounts, including approximately 45,531 stormwater-only accounts and ten wholesale contracts with neighboring municipalities, authorities and one corporation.

The Wastewater System consists of three water pollution control plants, the Northeast, Southwest and Southeast water pollution control plants (the “WPCPs”), 29 wastewater pumping stations, approximately 3,700 miles of sewers, and a privately managed centralized biosolids handling facility. It includes approximately 1,850 miles of combined sewers, 770 miles of sanitary sewers, 750 miles of stormwater sewers, 16 miles of force mains (sanitary and storm), and 330 miles of appurtenant piping. The three WPCPs processed a combined average of 522 MGD of wastewater in Fiscal Year 2024, have a 783 MGD combined average daily design capacity and a peak capacity of 1,059 MGD.

Gas Works

The City owns the assets that comprise the Philadelphia Gas Works (“PGW” or the “Gas Works”). PGW is (i) the largest municipally-owned gas utility in the nation, (ii) responsible for the acquisition and storage of natural gas, and (iii) the sole distributor of natural gas within the limits of the City. Such limits also define the service area of PGW which, being the corporate limits of the City, is a mostly dense urban area of 143 square miles located in southeast Pennsylvania along the Delaware River and within the smallest county of the Commonwealth.

PGW is principally a gas distribution utility, with a distribution system of approximately 3,041 miles of gas mains and 476,605 service lines. In addition, PGW operates facilities for the liquefaction, storage, and vaporization of natural gas to supplement gas supply taken directly from interstate pipeline and storage companies. The principal PGW natural gas supply facilities include nine City gate stations, owned in large part by the interstate natural gas pipeline companies serving PGW, and two liquefied natural gas plants owned by the City and operated by PGW.

The City Charter provides for a Gas Commission (the “Gas Commission”) to be constituted and appointed in accordance with the provisions of contracts between the City and the operator of PGW as may from time to time be in effect, or, in the absence of a contract, as may be provided by ordinance. The Gas Commission consists of the City Controller, two members appointed by City Council and two members appointed by the Mayor.

PGW’s operations are managed by the Philadelphia Facilities Management Corporation (“PFMC”), a Pennsylvania non-profit corporation specifically organized to manage and operate PGW for the benefit of the City. PFMC’s responsibilities are set forth in a Management Agreement between the City and PFMC dated December 29, 1972, as subsequently amended (“Management Agreement”), which delegates responsibility for PGW’s operation to an executive management team provided by PFMC. Under the Management Agreement, those responsibilities that are not specifically granted to PFMC are the responsibilities of the Gas Commission, except to the extent preempted by the Pennsylvania Public Utility Commission (the “PUC”) pursuant to the Pennsylvania Natural Gas Choice and Competition Act (the “Gas Choice Act”). The Gas Choice Act made PGW subject to regulation by the PUC effective July 1, 2000, and provides that choice among natural gas suppliers will be provided to PGW’s customers.

For more information on PGW, see APPENDIX A – “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services, “REVENUES OF THE CITY – PGW Annual Payments,” “PGW PENSION PLAN,” “PGW OTHER POST-EMPLOYMENT BENEFITS,” and “LITIGATION – PGW.”

Libraries

The Free Library of Philadelphia, the City’s public library system, comprises 54 branches (with a variety of digital, computer-based services at certain locations) and an extensive online resource system.

Streets and Sanitation

The Philadelphia Streets Department (the “Streets Department”) and the divisions within it are responsible for the City’s large network of streets and roadways. The City’s pavement condition is considered to be in “Fair” pavement condition. In order for the City to maintain its pavement in a state of good repair, local streets should be repaved once every 20 years and arterials should be repaved once every 10 years. This requires approximately 131 miles of paving every year, but, over the years, this pavement program has accumulated a backlog. The Streets Department has invested in critical equipment

replacements and implemented a strategy to address recurring state of good repair needs. The Streets Department is also emphasizing an objective, data-oriented approach towards strategically addressing roadway conditions throughout the City. New geographical information system (GIS) and global position system (GPS) technology and systems are being used, along with objective assessment tools, to rate and monitor the quality and condition of streets and roadways to prioritize paving plans.

The Streets Department is also responsible for the ongoing collection and disposal of residential trash and recyclables, the overall cleanliness of City streets, the construction and maintenance of City streets roadways, bridges and street lighting system and management and engineering of the City's local traffic network. The streets system in Philadelphia totals 2,575 miles – 2,180 miles of City streets, 35 miles of Fairmount Park roads, and 360 miles of state highways. The Sanitation Division annually collects and disposes of over 620,000 tons of rubbish and 80,000 tons of recycling and works to combat illegal dumping.

Sustainability and Green Initiatives

Mayor Parker has committed to make Philadelphia the safest, cleanest, and greenest big city in the nation with economic opportunity for everyone. To aid in achieving this goal, the Philadelphia Energy Authority and the City's Office of Sustainability have been tasked with improving energy sustainability and affordability in the City and with educating consumers on their energy choices. Certain energy savings financings have also been undertaken by the Philadelphia Energy Authority, Philadelphia Municipal Authority, and the Philadelphia Authority for Industrial Development. The City is investing in and evaluating additional options and investing in both green and traditional infrastructure to better manage storm water reclamation and reduce pollution of the City's public waters. There has been extensive investment in creating more and better public spaces, such as Love Park in Center City, as well as green spaces along both the Delaware and Schuylkill Rivers. Finally, the City has been taking steps to further reduce automobile traffic, congestion and pollution by making Philadelphia's streets increasingly friendly to bicyclists. The City introduced its bicycle sharing system, Indego, in 2015, as further described in "Transportation."

In furtherance of sustainability and environmental issues that affect the health and wellbeing of Philadelphians, in 2022, the City launched a program to support the leadership of frontline communities in addressing environmental harms. Along with such program, the City announced the establishment of a community resilience and environmental grant fund to affirm the City's commitment to pursuing environmental solutions and climate resilience for all Philadelphians. To protect municipal investments, in 2024, the City embedded climate resilience into the capital planning process and leveraged resilience projects across the City to ensure that climate adaptation is incorporated throughout City operations and planning. The City has also begun looking beyond risks posed to municipal government and is in the process of updating its citywide resilience plan, which will include a citywide engagement process. The Office of Sustainability is updating citywide vulnerability assessments and developing tools to better understand neighborhood-level vulnerability to climate change. Another inter-agency working group, the Flood Risk Management Task Force, focuses specifically on flood mitigation. The Office of Sustainability also runs a Place-Based resilience initiative that engages regional, state, and federal partners, as well as community stakeholders, to address flooding in the Eastwick neighborhood and extreme heat in the Strawberry Mansion neighborhood. This group will collaborate to define short-, medium- and long-term solutions to address flooding and extreme heat that center community input.

Other planning activities are underway that will identify strategic actions and funding sources to advance resilience citywide. For example, upon its successful completion of a strategic planning process for the urban forest, Philadelphia Parks and Recreation sought grant funding and is increasing tree canopy in neighborhoods vulnerable to the effects of extreme heat since trees cool the air and reduce heat islands.

Parks and Recreation and partners are also working to implement the City's Urban Agriculture Plan which will play an important role in increasing local food production and climate resilience and food access, biodiversity loss, soil degradation and waste. The Philadelphia Office of Emergency Management is integrating climate change and climate adaptation strategies in the update of the Hazard Mitigation Plan, which will assist with both local and statewide planning aimed at increasing community resilience. The Philadelphia City Planning Commission is also making climate change a key component of the City's Comprehensive Plan update. Through a collaborative partnership with the Philadelphia Energy Authority, Office of Sustainability, and Department of Streets, the Philly Streetlight Improvement Project will convert approximately 130,000 high pressure sodium streetlights into a network of more efficient, longer-lasting LED lights. By upgrading to higher performing streetlights with a new lighting management system, the project is expected to: (i) foster public safety improvements for pedestrians, cyclists, and motorists; (ii) reduce energy consumption and operating costs associated with such system; and (iii) benefit local businesses.

For more information on climate change in the City, see APPENDIX A – “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Climate Change.”

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APPENDIX C

**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY OF PHILADELPHIA
FOR THE YEAR ENDED JUNE 30, 2024**

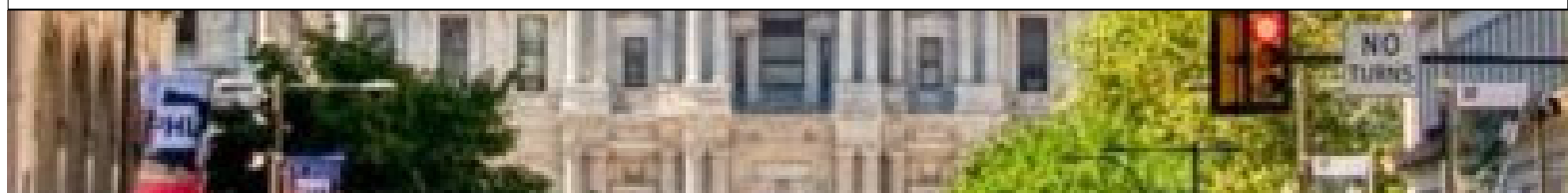
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City of Philadelphia, Pennsylvania

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2024





City of Philadelphia

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

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2024



Cherelle L. Parker
Mayor

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Edward Wiler



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

ROB DUBOW
Director of Finance

February 24, 2025

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

I am pleased to present the City of Philadelphia's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. This report must be published by February 25th of every year to fulfill the continuing disclosure requirements related to the City's outstanding bonds and as outlined in SEC Rule 15c2-12.

The City's management assumes full responsibility for the completeness and reliability 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 of any material misstatements.

The City Controller has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2024. 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 completing an annual audit of all City accounts. This 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 of land along the Delaware River, serves a population of nearly 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. The Board of Education, which governs the District, has nine members, each of whom is appointed by the Mayor with the approval of City Council.

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. 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 City of Philadelphia provides a full range of services, including 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; and two airports: Philadelphia International Airport, which handles passengers and cargo; and Northeast Philadelphia Airport, which handles private aircraft and some cargo.

This report includes the financial statements of the primary government, as well as its component units, which are legally separate organizations in which the primary government is financially accountable. 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 from the primary government. Blended component units included in this report are the Philadelphia Municipal Authority and Pennsylvania Intergovernmental Cooperation Authority; discretely presented component units included in this report are the Philadelphia Gas Works, Philadelphia Redevelopment Authority, Philadelphia Parking Authority, School District of Philadelphia, Community College of Philadelphia, Community Behavioral Health, Inc., Philadelphia Housing Authority, and the 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

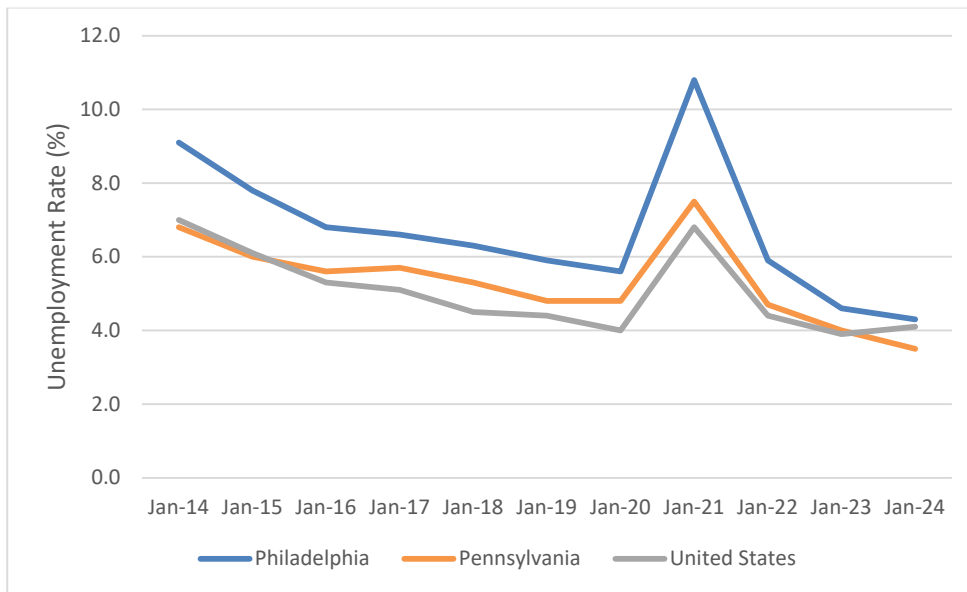
The information presented in this report is best understood in the context of the environment in which the City of Philadelphia operates. A more comprehensive analysis of these factors is available in the City's Five-Year Plan, which is presented by the Mayor each year pursuant to the Pennsylvania Intergovernmental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

Local Economy

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its strength in key industries. As a hub for education and medicine, the City is home to 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.

Similar to other metropolitan cities around the country, Philadelphia's economic growth was stunted by the pandemic. The City has, however, seen consistent recovery over the last several years, and the number of jobs in Philadelphia in calendar year 2024 surpassed pre-pandemic levels. According to the U.S. Bureau of Labor Statistics' monthly employment data for November 2024, there was a modest increase of approximately 10,400 jobs compared to November 2023 including 8,100 jobs in the education and health services sector. The education and health services sector now has more than recovered its pandemic-era job losses.

As of December 2024, Philadelphia's unemployment rate was 4.4%. The following chart shows the trend in Philadelphia's unemployment rate as compared to Pennsylvania's and the U.S. overall from 2014 to 2024. While Philadelphia's unemployment rate is now lower than pre-pandemic levels, it continues to be high relative to the rest of Pennsylvania.



Source: US Department of Labor, Bureau of Labor Statistics

The estimated 2023 median household income in Philadelphia was \$60,698, which is a \$14,771 (or 32.2%) increase since 2019, outpacing state (23.2%) and national (25.0%) growth rates. Despite the improvement, poverty in Philadelphia persists. Philadelphia has the highest poverty rate, deep poverty rate, and child poverty rate and the lowest median household income of the top 10 largest U.S. cities by population. The City's 2023 median household income is approximately 25.3% and 29.4% below the state and national median household income, respectively.

At the same time, the cost of housing in Philadelphia has seen consistent growth over the past decade. Median owner-occupied home values increased by 63.1% from \$142,500 in 2013 to \$232,400 in 2023, with median rent rising 48 percent from \$893 in 2013 to \$1,323 in 2023. Philadelphia continues to have high levels of homeownership, with homeowners occupying 53 percent of the housing stock.

Prior to the pandemic, the City's population experienced modest but consistent annual growth. While the population has declined each year since the onset of the pandemic, the rate of decline has remained relatively small, averaging less than 1% annually.

| Calendar Year | Population ¹ | Per Capita Personal Income ² | Unemployment Rate ³ |
|---------------|-------------------------|---|--------------------------------|
| 2023 | 1,550,542 | 61,829 | 4.2% |
| 2022 | 1,567,258 | 56,764 | 5.4% |
| 2021 | 1,576,251 | 60,869 | 9.2% |
| 2020 | 1,578,487 | 58,941 | 12.4% |
| 2019 | 1,584,064 | 57,265 | 5.5% |

¹ US Census Bureau

² US Bureau of Economic Analysis

³ US Department of Labor, Bureau of Labor Statistics

The City has been rated in the "A" category by all three rating agencies since 2013 and has been able to maintain and improve ratings in this category over the last eleven years. The City earned recent rating upgrades from both S&P and Fitch, from "A" to "A+" in November 2024 and June 2024, respectively. As a result of these upgrades, the City now has its highest combination of ratings in more than four decades, but still has the second lowest ratings among the ten largest cities by population.

City of Philadelphia's General Obligation Bond Ratings

| Fiscal Year End | Moody's | Standard & Poor's | Fitch |
|------------------------|----------------|------------------------------|--------------|
| 2024 | A1 | A | A+ |
| 2023 | A1 | A | A |
| 2022 | A2 | A | A- |
| 2021 | A2 | A | A- |
| 2020 | A2 | A | A- |

The consistent efforts of Philadelphia's economic development agencies and others have spurred significant economic changes throughout the city. Development in Navy Yard has, over time, transitioned a former naval property and active military base to a growing hub for business. Additionally, the Bellwether District project is transforming a former oil refinery, which was once one of Philadelphia's largest sources of air pollution, into an e-commerce, life sciences, and logistics campus, positioning it as a growing hub for businesses and innovation.

Adopted FY25 General Fund expenditures are projected to total \$6.37 billion, a \$232.7 million increase (3.8%) from FY24 actuals. As with prior years, the largest costs to the City's budget are to pay for City employees who design, manage, and implement programs and services for residents, businesses, and visitors. The single largest expenditure in the General Fund budget is compensation for employees. The pay-related cost for General Fund employees is budgeted to be \$2.28 billion in FY25, a 11.8% increase over FY24's level, reflecting salary increases and new positions. Additional investments are discussed in greater detail in the major initiatives section below.

The FY25 Approved Capital Budget provides approximately \$328.5 million in new, City-supported general obligation borrowing (identified as CN funds) and \$600.9 million of prior year, tax-supported City loans. This City commitment should help leverage nearly \$5.2 billion from federal, state, private, City self-sustaining enterprise, operating, and revolving fund sources for a total FY25 budget of \$6.1 billion. Over six years, the FY25-30 Capital Program includes a commitment of more than \$1.4 billion in new CN borrowing as part of a proposed \$16.2 billion in total capital investment.

The City's General Fund revenues primarily originate from local taxes. For the General Fund, the City is estimated to receive a total of \$6.27 billion in FY25, an increase of 3.4% over FY24 actuals. The largest portion of General Fund revenue comes from local taxes, with an estimated \$4.26 billion, or more than two-thirds of the total, coming from tax receipts in FY25.

Long-term Financial Planning and Major Initiatives

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the General Fund at FY24 year-end was 15.6% of total General Fund revenues. This amount was above the City's internal goal of at least 6-8% but below the Government Finance Officers Association (GFOA) recommendation of two months of general fund revenues, or approximately 17.0%.

The fund balance is higher than the amount included for FY24 in the PICA approved FY25-29 Five Year Plan for several reasons. First, underspending has been a key driver, primarily stemming from hiring challenges. Like many other employers, the City has faced difficulties attracting and retaining staff in a complex and competitive labor market. As a result, funds allocated for unfilled positions and delayed program ramp-ups remained unspent in FY24. Additionally, interest earnings and BIRT collections surpassed the FY25-FY29 Five Year Plan projections, contributing to the higher-than-anticipated fund balance.

The table below illustrates the City's General Fund year-end balance (legal basis) for the past five years, along with the projected FY25 year-end balance as noted in the City's Quarterly City Managers Report (for the period ending December 31, 2024).

General Fund
Year End Fund Balance (Legal Basis)

| Fiscal Year End | Fund Balance (in thousands) | Projection/Actual |
|------------------------|------------------------------------|--------------------------|
| 2025 | 584,344 | Projection |
| 2024 | 942,900 | Actual |
| 2023 | 981,572 | Actual |
| 2022 | 779,144 | Actual |
| 2021 | 298,542 | Actual |

Source: Quarterly City Managers Report for period ending December 31, 2024

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 PICA remains in place, 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 then-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 budget 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. The PICA Act was renewed in 2022 and PICA will remain in place until the later of when its bonds are retired or 2047.

Fund Balance Target: Recognizing the importance of maintaining adequate fund balances, the City developed a target fund balance of at least 6% to 8% of revenues. 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. At a projected \$584.3 million for FY25 (as of the City's second-quarter Quarterly City Managers Report), the City's fund balance is 9.3% of revenues, well short of the two months of regular government spending (16.7%) 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). The City has decreased the Wage and Earnings Tax rate over time, reducing the resident rate from 3.8712% in 2020 to the current 3.75% and the non-resident rate from 3.4481% to 3.44% over that same period. Additionally, the City has decreased the BIRT rate, lowering the net profits rate from 6.20% in 2020 to the current rate of 5.81%.

Revaluations: 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.

For Tax Year 2025, the Office of Property Assessment (OPA) conducted a comprehensive revaluation, which resulted an average residential increase of 19%. Following the Tax Year 2025 revaluation, roughly 12,000 appeals and over 19,000 first-level reviews were filed with the Board of Revision of Taxes and OPA, respectively.

Tax Abatements: The City has a number of tax abatement programs. The major goals of these programs are to (1) create jobs, (2) encourage new construction or rehabilitation of properties to revitalize communities, and (3) encourage development on designated parcels where little to no development has taken place. A detailed listing of the various tax abatement programs can be found in Footnote #13. Additional information regarding eligibility, taxes waived, how to apply, etc. can be found at <https://www.phila.gov/services/payments-assistance-taxes>.

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 City, 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 2028 and 100% funded by Fiscal Year 2032.

The first part of the pension reform program is a commitment to increasing the City's annual contribution to the Pension Fund. In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying the minimum municipal obligation (MMO), the amount required under state law, the City 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 adopted FY25-FY29 Five Year Plan, the Sales Tax revenues due to the Pension Fund are projected to be worth about \$579.2 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 firefighters 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 the growth of liabilities from the stacked hybrid plan, help improve the health of the Pension Fund over time.

Third, the Pensions Board has changed its investment strategy to reduce costs. The Board is making greater use of indexing, which lowered management fees while not sacrificing returns, 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 7.3% 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 of the largest items in the City's budget. In order to address the challenges these costs present, the City has made cost-saving changes in the City-administered health benefit programs for exempt and non-represented employees and sought changes to its labor contracts in the area of health benefits. These changes include moving to self-insurance, increasing copays, and implementing wellness and disease management programs.

COVID-19 Recovery and Grants: Since 2020, the City received several large grants 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. Relief from federal and state funding enabled the City to continue to provide core services and pandemic responses, avoid layoffs, build back up reserves along with the fund balance to help with future disruptions, and to make strategic investments as described below. All ARPA funds had to be obligated by the end of calendar year 2024. With 2025 marking the first year without ARPA funding, the reduction in available federal resources may limit the City's capacity for investment.

Major Initiatives to Make Philadelphia the Safest, Cleanest, and Greenest Big City in the Nation with Access to Economic Opportunity for All

Public Safety: The City continues to work tirelessly in response to the national public health emergency posed by gun violence. The FY25-29 Five Year Plan and FY25 Capital Budget and FY25-30 Capital Program invest hundreds of millions of dollars in new public safety initiatives, focusing on both immediate crisis response and addressing the systemic root causes of violence. This funding includes a \$100 million investment to begin building a citywide wellness ecosystem, supporting long-term care, treatment, and housing, as well as increasing funding for anti-violence grants.

Clean and Green: The City is committed to tackling quality-of-life issues that negatively impact communities and is making significant investment in a coordinated effort to build a safer, cleaner, and greener Philadelphia. In 2024, the Office of Clean and Green Initiatives was established to address persistent challenges, such as litter, illegal dumping, graffiti, abandoned automobiles, vacant lots, and nuisance properties, starting with the most underserved neighborhoods. In FY25, the City allocated \$13.5 million to expand the PHL Taking Care of Business (TCB) corridor cleaning program, extending services to residential areas and streets adjacent to target commercial corridors. Additionally, in Spring 2024 the City flipped the switch on Adams Solar, a 700-acre renewable energy project in Adams County, PA. With this addition, the City's energy portfolio is now powered by a mix of nearly 30% renewable energy.

Access to Economic Opportunity for All: The City is focused on advancing initiatives to streamline and expand pathways to employment and business success. In October 2024, the City College for Municipal Employment (CCME) launched as a workforce hub and pipeline to City jobs. Backed by a \$10 million initial investment, CCME trains residents in high-demand fields like skilled trades, healthcare, technology, and public safety. The FY25-FY29 Plan also includes the PHL Open for Business initiative, which aims to increase the ease of doing business in Philadelphia. As of November 2024, the City has advanced 14 projects to improve business services and reform regulations.

Housing: Access to safe, affordable housing is fundamental to building strong communities and supporting residents' well-being and is a key priority for the City. The FY25-FY29 Five Year Plan continues investments in housing through multiple programs, including Turn the Key, Restore Repair Renew, and the Basic Systems Repair Program, building towards the

Mayor's goal of 30,000 units of housing built, repaired, or preserved. The Five Year Plan also includes \$34 million in financial assistance to keep tenants in their homes and support small landlords.

Education: The City is committed to providing a world-class education for Philadelphia students of all ages and socioeconomic backgrounds. In FY25, the Mayor increased the share of the Real Estate Tax that goes to the School District of Philadelphia from 55% to 56%, leading to a projected \$24 million in new investments for the District for FY25 and nearly \$129 over the life of the Five Year Plan. Additionally, in September 2024, the City and the School District launched Extended Day, Extended Year schooling at 20 District-operated and 5 charter schools, providing academic and enrichment opportunities from 7:30 am to 6 pm throughout the school year and across winter, spring, and summer breaks.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Philadelphia for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. This was the forty-fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current ACFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are submitting our current ACFR to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2023. To qualify for the Distinguished Budget Presentation Award, the government's budget document has to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Office of the Director of Finance and, in particular the City's Central Accounting unit, as well as various City departments and component units. Each has my sincere appreciation for its valuable contributions.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Rob Dubow', with a stylized, wavy line extending from the end.

Rob Dubow, Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

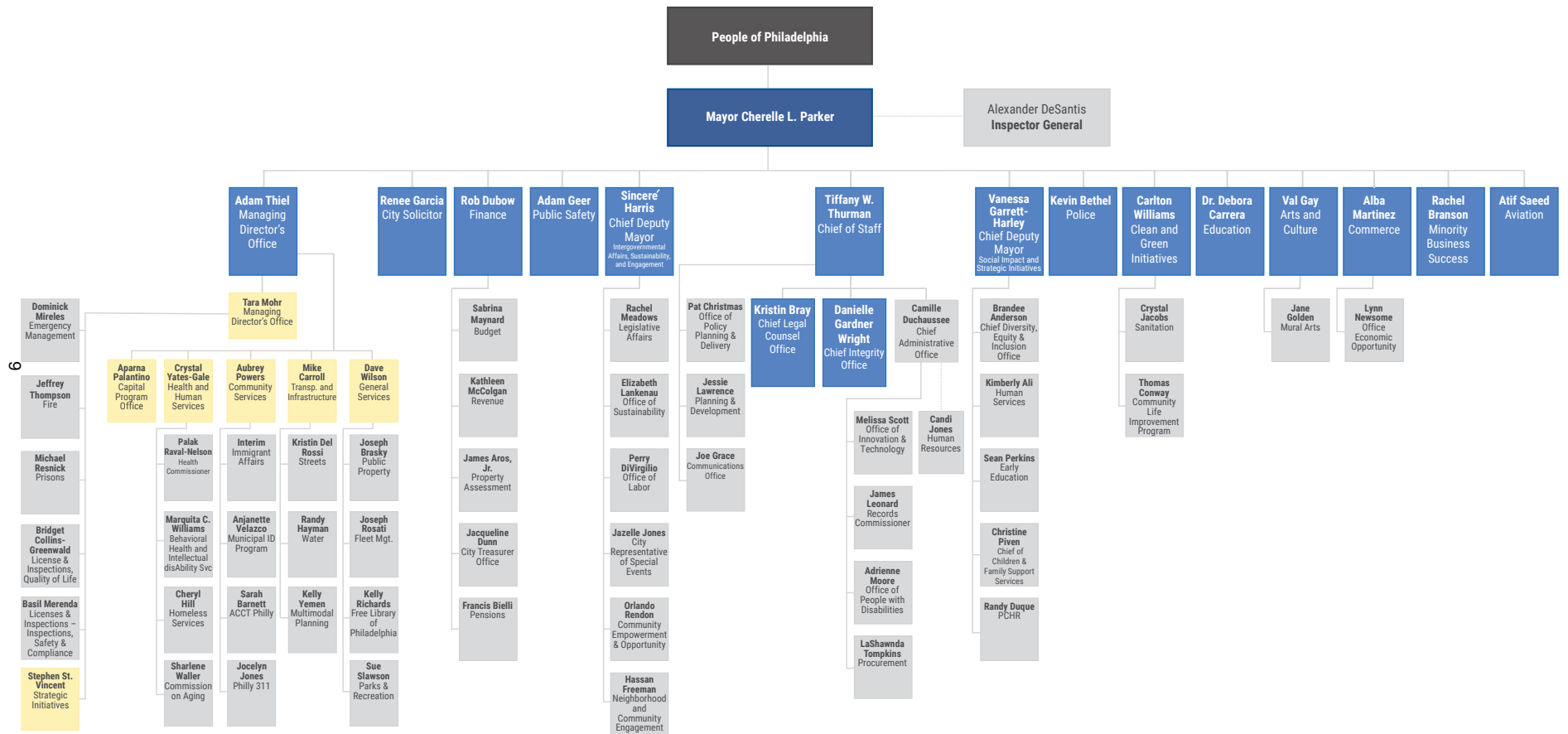
**City of Philadelphia
Pennsylvania**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO





Elected Officials

Mayor Cherelle L. Parker

City Council

President, 2nd District Kenyatta Johnson

1st District Mark Squilla

3rd District Jamie Gauthier

4th District Curtis Jones, Jr.

5th District Jeffrey Young, Jr.

6th District Michael Driscoll

7th District Quetcy Lozada

8th District Cindy Bass

9th District Anthony Phillips

10th District Brian J. O'Neill

At-Large Katherine Gilmore Richardson

At-Large Isaiah Thomas

At-Large Jim Harrity

At-Large Nina Ahmad

At-Large Rue Landau

At-Large Kendra Brooks

At-Large Nicolas O'Rourke

District Attorney Lawrence S. Krasner

City Controller Christy Brady

City Commissioners

Chair Omar Sabir

Commissioner Lisa M. Deeley

Commissioner Seth Bluestein

Register of Wills John Sabatina

Sheriff Rochelle Bilal

First Judicial District of Pennsylvania

President Judge, Court of Common Pleas Nina Wright Padilla

President Judge, Municipal Court T. Francis Shields



Appointed Cabinet Members

| | |
|--|-------------------------|
| Chief of Staff..... | Tiffany W. Thurman |
| Chief Deputy Mayor for Intergovernmental Affairs | Sinceré Harris |
| Chief Deputy Mayor of Social Impact & Strategic Initiatives..... | Vanessa Garrett Hartley |
| Managing Director | Adam K. Thiel |
| Finance Director..... | Rob Dubow |
| Budget Director | Sabrina Maynard |
| Police Commissioner..... | Kevin J. Bethel |
| City Solicitor..... | Renee Garcia |
| Commerce Director..... | Alba Martinez |
| Fire Commissioner | Jeffrey Thompson |
| Chief Public Safety Director | Adam N. Geer |
| Director, Clean & Green Initiative..... | Carlton Williams |
| Director of Minority Business Success | Rachel Branson |
| Chief Integrity Officer..... | Danielle Gardner Wright |
| Chief Legal Counsel - Office of the Mayor | Kristin Bray |





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

CHRISTY BRADY
City Controller

CHARLES EDACHERIL
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2024, 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.

In our opinion, based on our audit and the reports of the 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, 2024, 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.

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 | 6% | 2% | 9% |
| Business-Type Activities | 0% | 0% | 0% |
| Aggregate Discretely Presented Component Units | 56% | 52% | 39% |
| Major Funds | 0% | 0% | 0% |
| Aggregate Remaining Fund Information | 91% | 92% | 72% |

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Philadelphia, Pennsylvania, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Philadelphia, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Philadelphia, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Philadelphia, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 32, and the required supplementary information other than management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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, 2024, 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, 2024, 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2024, 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 GAAS 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, 2024.

We also previously audited, in accordance with GAAS, the basic financial statements of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2023 (not presented herein), and have issued our report thereon dated February 24, 2024, 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 2023 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2023, 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 related directly to the underlying accounting and other records used to prepare the 2023 financial statements. The information was subjected to the audit procedures applied in the audit of the 2023 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 GAAS. In our opinion, the 2023 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, 2023.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the Introductory Section and Statistical Section as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

C I T Y O F P H I L A D E L P H I A
O F F I C E O F T H E C O N T R O L L E R

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



CHARLES EDACHERIL, CPA
Deputy City Controller



CHRISTY BRADY, CPA
City Controller

Philadelphia, Pennsylvania
February 24, 2025



City of Philadelphia

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

Management's Discussion & Analysis

Our discussion and analysis of the financial performance of the City of Philadelphia (the City), Pennsylvania, provides an overview of the City's financial activities for the fiscal year ended June 30, 2024. 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

- On the Government-Wide Financial Statements, total liabilities plus deferred inflows of the City exceeded its total assets plus deferred outflows at the close of the fiscal year by \$1.3 billion (net position), which represents an increase of 1.0 billion, or 43.2% as compared to fiscal year 2023. The Governmental Activities of the City had an increase of 0.7 billion, while the Business-type activities had an increase of \$0.3 billion.
- On the Government-Wide Financial Statements, the City's unrestricted net position reported a deficit of \$6.5 billion. The major underlying causes of this deficit are the net pension liability of \$3.9 billion and the total OPEB liability of \$1.6 billion. This deficiency will have to be funded from resources generated in future years.
- The governmental funds reported a combined ending fund balance of \$1.7 billion, a decrease of \$124.2 million as compared to fiscal year 2023. The unassigned fund balance of the governmental funds ended the fiscal year with a deficit of \$200.1 million, a decrease of \$274.2 million.
- The unrestricted fund balance (the total of the committed, assigned, and unassigned component of fund balance) for the General Fund was \$1.3 billion, of which \$594.7 million was unassigned which represents the residual amounts that have not been assigned to other funds. The unassigned fund balance decreased by \$73.4 million compared to the prior year.
- On the legally enacted budgetary basis, the City's General Fund ended the fiscal year with a fund balance of \$942.9 million, as compared to \$981.6 million last year. The City's General Fund reported total revenues of \$6.06 billion, which is a \$16.6 million increase from the previous year. The revenue increase was primarily the result of an increase of \$55.8 million in revenue replacement funds provided by the American Rescue Plan and payments from the Water, Aviation, and Grants Revenue funds for services provided by the General Fund increasing by \$20.9 million. These increases were offset by an overall decrease in tax receipts of \$66.3 million. Real Estate Transfer Tax declined by \$113.2 million and Parking Tax declined by \$101.9 million. The decrease in Parking Tax was due to the creation of the Transportation Fund where Parking Taxes are now accounted for. Wage and Earnings Tax, Property Taxes, and Business Taxes increased by \$110.1 million, \$28.5 million, and \$10.1 million, respectively. General Fund expenditures totaled \$6.1 billion, which is a \$216.4 million increase from prior years. Within this, Personal Services increased by \$61.8 million. Expenditures on the purchases of goods and services increased by \$175.0 million, reflecting an increase in demand for governmental services as well as rising costs due to inflation.

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, Philadelphia Gas Works, Philadelphia Parking Authority, Philadelphia Housing Authority, Philadelphia Authority for Industrial Development, and the Philadelphia 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-three individual governmental funds. Financial information is presented separately for the General Fund, Grants Revenue Fund and Health Choices Behavioral Health Fund, which are considered major funds. Data for the remaining twenty funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

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

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

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

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

Government-wide Financial Analysis

Net position: As noted earlier, net positions are useful indicators of a government's financial position. At the close of the fiscal year ended June 30, 2024, the City of Philadelphia's liabilities and deferred inflows exceeded its assets and deferred outflows by \$1.3 billion.

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 \$2.8 billion. 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, \$2.3 billion, is subject to external restrictions as to how it may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of \$6.4 billion. The governmental activities reported a negative *unrestricted net position* of \$6.5 billion, and the business type activities reported an unrestricted net position surplus of \$120.4 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:

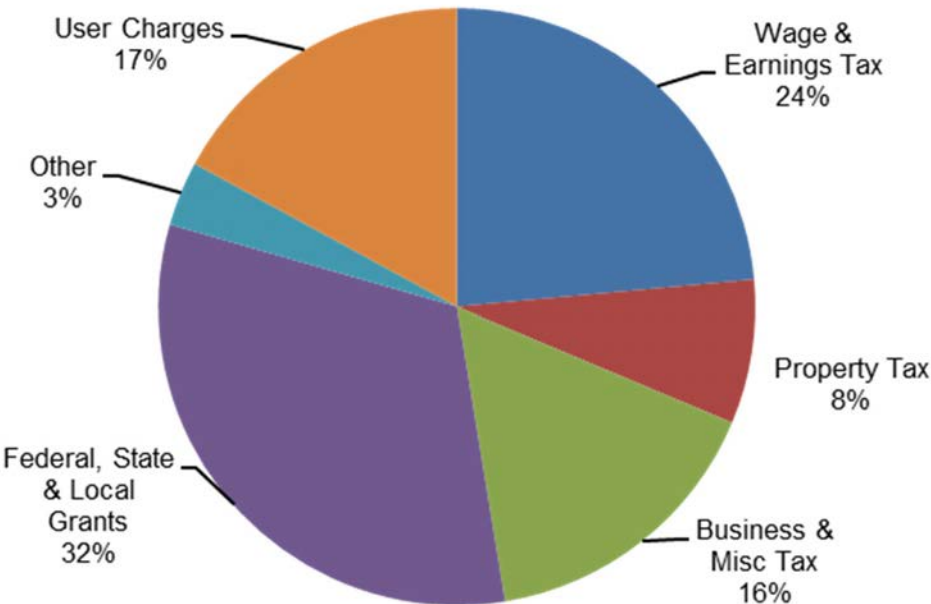
City of Philadelphia's Net Position

(millions of USD)

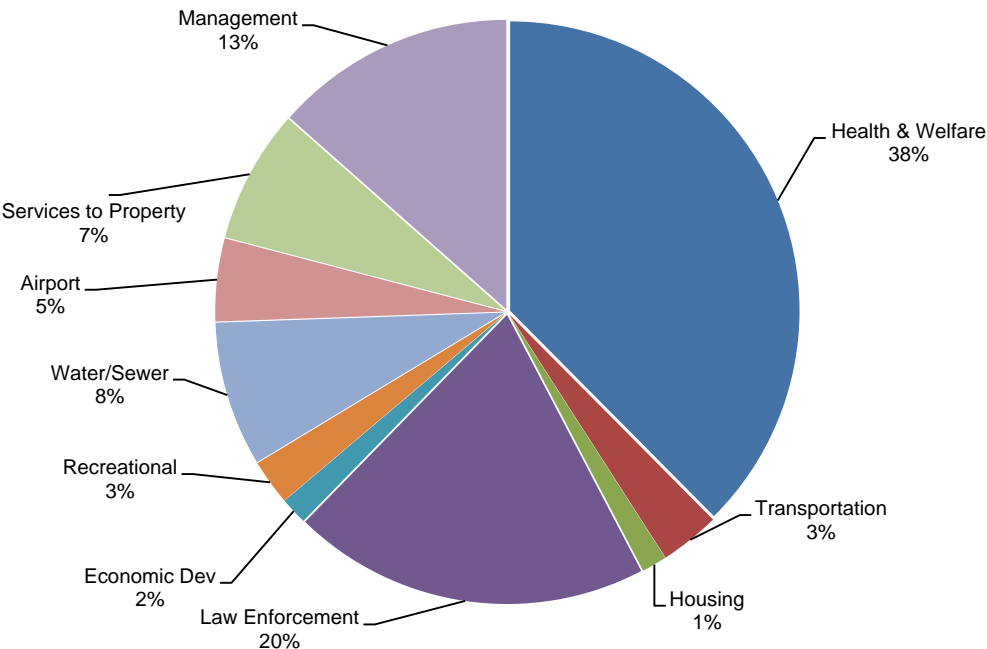
| | Governmental | | | Business-type | | | Total | | |
|---------------------------|------------------|------------------|-------------|----------------|----------------|-------------|--------------------|------------------|-------------|
| | Activities | | % Change | Activities | | % Change | Primary Government | | % Change |
| | 2024 | 2023 | | 2024 | 2023 | | 2024 | 2023 | |
| Current and other assets | 5,976.9 | 6,119.5 | -2.33% | 3,486.5 | 3,034.2 | 14.91% | 9,463.4 | 9,153.7 | 3.38% |
| Capital assets | 3,388.3 | 3,203.3 | 5.78% | 5,805.5 | 5,489.2 | 5.76% | 9,193.8 | 8,692.5 | 5.77% |
| Total assets | 9,365.2 | 9,322.8 | 0.45% | 9,292.0 | 8,523.4 | 9.02% | 18,657.2 | 17,846.2 | 4.54% |
| Deferred Outflows | 635.7 | 679.8 | -6.49% | 107.1 | 115.4 | -7.19% | 742.8 | 795.2 | -6.59% |
| Long-term liabilities | 5,234.7 | 5,220.3 | 0.28% | 5,155.4 | 4,751.3 | 8.51% | 10,390.1 | 9,971.6 | 4.20% |
| Other liabilities | 8,299.6 | 8,892.8 | -6.67% | 1,243.7 | 1,209.7 | 2.81% | 9,543.3 | 10,102.5 | -5.54% |
| Total liabilities | 13,534.3 | 14,113.1 | -4.10% | 6,399.1 | 5,961.0 | 7.35% | 19,933.4 | 20,074.1 | -0.70% |
| Deferred Inflows | 514.8 | 614.1 | -16.17% | 245.9 | 231.4 | 6.27% | 760.7 | 845.5 | -10.03% |
| Net Position: | | | | | | | | | |
| Net Investment in | | | | | | | | | |
| capital assets | 1,094.6 | 837.7 | 30.67% | 1,685.0 | 1,559.9 | 8.02% | 2,779.6 | 2,397.6 | 15.93% |
| Restricted | 1,390.0 | 1,465.0 | -5.12% | 948.7 | 885.4 | 7.15% | 2,338.7 | 2,350.4 | -0.50% |
| Unrestricted | (6,532.9) | (7,027.2) | 7.03% | 120.4 | 1.1 | 10845.45% | (6,412.5) | (7,026.1) | 8.73% |
| Total Net Position | (4,048.3) | (4,724.5) | 14.31% | 2,754.1 | 2,446.4 | 12.58% | (1,294.2) | (2,278.1) | 43.19% |

Changes in net position: The City's total revenues for the fiscal year ended June 30, 2024, at \$10.8 billion, exceeded the City's total costs of \$9.8 billion. Approximately 47% of all revenue came from wage and earnings taxes, property taxes, and business and miscellaneous taxes. Federal, State and Local grants accounted for another 33.5%, and the remaining 19.5% of the revenue came from user charges, fines, fees, and various other sources. The City's expenses cover a wide range of services, the vast majority of which are related to health, welfare, and safety of the general public (See Exhibit II for further breakdown).

Revenue by Source



Expenses by Function



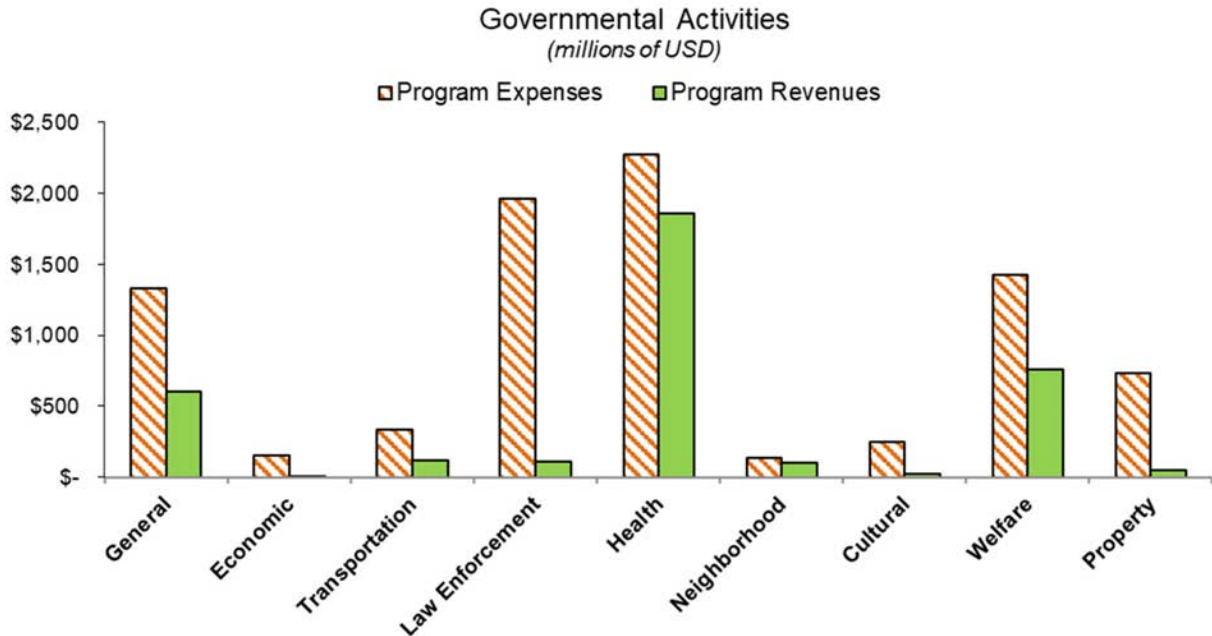
Net positions increased or decreased in the following activities, as noted below (millions of USD):

| <u>Increases (Decreases) in Revenues</u> | | <u>Increases (Decreases) in Expenses</u> | |
|--|-----------------|--|----------------|
| Charges for Services | (\$76.4) | Economic Development | \$39.3 |
| Operating Grants & Contributions | (31.8) | Transportation | 6.1 |
| Capital Grants & Contributions | 15.9 | Judicial & Law Enforcement | 91.9 |
| Wage & Earnings Taxes | 147.5 | Conservation of Health | 27.1 |
| Property Taxes | (5.6) | Housing & Neighborhoods | (32.5) |
| Other Taxes | (187.5) | Cultural & Recreational | (17.3) |
| Unrestricted Grants | (61.7) | General Welfare | 117.9 |
| Unrestricted Interest and Misc. | 179.6 | Services to Taxpayer Property | 94.4 |
| Total Revenues | <u>(\$20.0)</u> | General Management | (19.8) |
| | | Interest on Long Term Debt | (7.5) |
| | | Water and Waste Water | 67.6 |
| | | Airport | 34.2 |
| | | Industrial Land Bank | 0.2 |
| | | Total Expenses | <u>\$401.6</u> |

- Total revenues decreased by \$20.0 million, and total expenses increased by \$401.6 million over last year. This resulted in the Change in Net Position of \$983.9 million.
- The City's Wage and Earnings Tax revenue increased by \$147.5 million primarily due to favorable labor market conditions. The City's Other Taxes decreased by \$187.5 million primarily due to a decrease of \$113.2 million in Real Estate Transfer Tax due to the downward trend for the number of homes being sold and an \$85.4 million decrease in Business Taxes.
- The City's charges for goods and services decreased by \$76.4 million as compared to last year. Governmental Activities charges for services decreased by \$140.9 million primarily due to a one-time recognition of revenues in the prior year related to the Opioid Settlement. Additionally, Business Type Activities charges for services increased by \$64.5 million with an increase of \$27.8 million in charges for services in the Water & Sewer Enterprise fund, and an increase of \$36.7 million in rental, concession, customer and facility fees in the Aviation Enterprise fund.
- Unrestricted Interest and Investment Earnings and Miscellaneous Revenue increased by \$179.6 million due to favorable market conditions and higher savings interest rates.
- The City's General Welfare expenses increased by \$117.9 million, primarily because of a \$102.6 million increase in Social Services expenses. This increase was primarily due to increases in personal service costs and payments to service providers of \$19.2 million and \$48.0 million, respectively.
- Expenses related to Services to Taxpayer Property increased by \$94.4 million. Service expenses related to the Fire Department increased by \$66.2 million primarily due to a \$18.6 million increase for personal services and fringe benefits and increases in accrued expenses of \$43.5 million. Sanitation services increased by \$28.2 million due to an increase in payroll and fringe benefits of \$11.3 million, and an increase in vehicle related costs of \$8.0 million.
- The City's Judicial and Law Enforcement expenses increased by \$91.9 million with increase in Police, Prisons, and Courts related expenses of \$32.4 million, \$25.1 million, and \$34.4 million, respectively.
- Expenses related to Water and Wastewater increased by \$67.6 million. The largest increases were due to an increase in payroll and employee benefits expenses of \$18.9 million and \$23.7 million, respectively. Also, expenses related to the depreciation of capital assets increased by \$13.7 million over the prior year.

Governmental Activities

The governmental activities of the City resulted in a \$676.2 million increase in net position. 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. Program costs, program revenues and net cost are shown in the table. The net cost shows the cost allocation by each of these functions.

| | Program Costs | | | Program Revenues | | | Net Cost | |
|------------------------------|-------------------|-------------------|----------|-------------------|-------------------|----------|-------------------|-------------------|
| | 2024 | 2023 | % Change | 2024 | 2023 | % Change | 2024 | 2023 |
| General Welfare | \$ 1,424.3 | \$ 1,306.4 | 9.0% | \$ 757.4 | \$ 886.3 | -14.5% | \$ 666.9 | \$ 420.1 |
| Judiciary & Law Enforcement | 1,966.8 | 1,874.9 | 4.9% | 107.1 | 104.8 | 2.2% | 1,859.7 | 1,770.1 |
| Public Health | 2,274.0 | 2,246.9 | 1.2% | 1,862.6 | 1,876.8 | -0.8% | 411.4 | 370.1 |
| General Governmental | 1,326.6 | 1,354.0 | -2.0% | 606.6 | 654.3 | -7.3% | 720.0 | 699.7 |
| Services to Property | 733.2 | 638.8 | 14.8% | 46.3 | 41.3 | 12.1% | 686.9 | 597.5 |
| Housing, Economic & Cultural | 867.9 | 872.3 | -0.5% | 247.0 | 265.0 | -6.8% | 620.9 | 607.3 |
| | \$ 8,592.8 | \$ 8,293.3 | 3.6% | \$ 3,627.0 | \$ 3,828.5 | -5.3% | \$ 4,965.8 | \$ 4,464.8 |

The cost of all governmental activities this year was \$8.6 billion; the amount that taxpayers paid for these programs through tax payments was \$5.1 billion. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$3.1 billion while those who benefited from the programs paid \$496.7 million through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of \$507.5 million. The difference of \$676.2 million represents an increase in net position, as shown in the City of Philadelphia - Net Position table below.

**City of Philadelphia
Management's Discussion & Analysis**

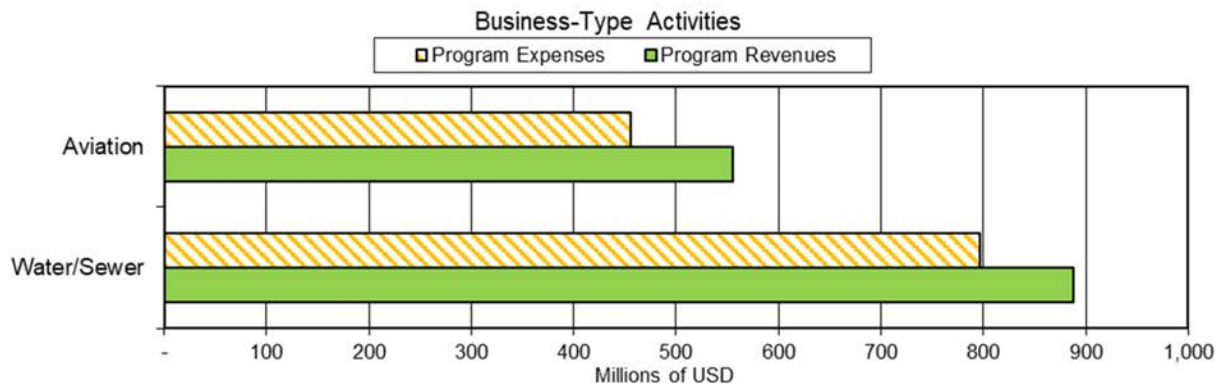
Fiscal Year Ended June 30, 2024

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 For the Year Ended June 30, 2024 (in millions) | | | | | | | |
|---|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|--------|
| | Governmental Activities | | Business Type Activities | | Total Government | | % |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | Change |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 496.7 | \$ 637.6 | \$ 1,350.8 | \$ 1,286.3 | \$ 1,847.5 | \$ 1,923.9 | -4.0% |
| Grants and Contributions | | | | | | | |
| Operating | 3,068.8 | 3,101.9 | 2.1 | 0.8 | 3,070.9 | 3,102.7 | -1.0% |
| Capital | 61.4 | 89.0 | 90.0 | 46.5 | 151.4 | 135.5 | 11.7% |
| General revenues: | | | | | | | |
| Wage and earnings taxes | 2,550.2 | 2,402.7 | - | - | 2,550.2 | 2,402.7 | 6.1% |
| Property taxes | 842.9 | 848.5 | - | - | 842.9 | 848.5 | -0.7% |
| Other taxes | 1,741.5 | 1,929.0 | - | - | 1,741.5 | 1,929.0 | -9.7% |
| Unrestricted grants and contributions | 241.5 | 231.5 | 4.6 | 76.3 | 246.1 | 307.8 | -20.0% |
| Unrestricted Interest and Misc. | 200.2 | 125.5 | 179.0 | 74.1 | 379.2 | 199.6 | 90.0% |
| Total revenues | 9,203.2 | 9,365.7 | 1,626.5 | 1,484.0 | 10,829.7 | 10,849.7 | -0.2% |
| Expenses: | | | | | | | |
| Economic development | 149.7 | 110.4 | - | - | 149.7 | 110.4 | 35.6% |
| Transportation | 330.3 | 324.2 | - | - | 330.3 | 324.2 | 1.9% |
| Judiciary & law enforcement | 1,966.8 | 1,874.9 | - | - | 1,966.8 | 1,874.9 | 4.9% |
| Conservation of health | 2,274.0 | 2,246.9 | - | - | 2,274.0 | 2,246.9 | 1.2% |
| Housing & neighborhood development | 138.4 | 170.9 | - | - | 138.4 | 170.9 | -19.0% |
| Cultural & recreational | 249.5 | 266.8 | - | - | 249.5 | 266.8 | -6.5% |
| Improvement of the general welfare | 1,424.3 | 1,306.4 | - | - | 1,424.3 | 1,306.4 | 9.0% |
| Services to taxpayer property | 733.2 | 638.8 | - | - | 733.2 | 638.8 | 14.8% |
| General management | 1,212.4 | 1,232.2 | - | - | 1,212.4 | 1,232.2 | -1.6% |
| Interest on long term debt | 114.2 | 121.7 | - | - | 114.2 | 121.7 | -6.2% |
| Water & waste water | - | - | 796.8 | 729.2 | 796.8 | 729.2 | 9.3% |
| Airport | - | - | 456.0 | 421.8 | 456.0 | 421.8 | 8.1% |
| Industrial land bank | - | - | 0.2 | - | 0.2 | - | - |
| Total expenses | 8,592.8 | 8,293.2 | 1,253.0 | 1,151.0 | 9,845.8 | 9,444.2 | 4.3% |
| Increase in net position before transfers & special items | 610.4 | 1,072.5 | 373.5 | 333.0 | 983.9 | 1,405.5 | -30.0% |
| Transfers & Special Items | 65.8 | 57.4 | (65.8) | (57.4) | - | - | |
| Increase in Net Position | 676.2 | 1,129.9 | 307.7 | 275.6 | 983.9 | 1,405.5 | -30.0% |
| Net Position - July 1 | (4,724.5) | (5,854.4) | 2,446.4 | 2,170.8 | (2,278.1) | (3,683.6) | -38.2% |
| Net Position - June 30 | \$ (4,048.3) | \$ (4,724.5) | \$ 2,754.1 | \$ 2,446.4 | \$ (1,294.2) | \$ (2,278.1) | -43.2% |

Business-type Activities

Business-type activities resulted in a \$307.7 million increase in net position. This increase was comprised of an increase in net position for Water/Sewer of \$102.0 million, an increase for Aviation of \$179.9 million, and an increase for Industrial and Commercial Development operations of \$25.8 million. The increase was primarily due to an increase of \$27.8 million in charges for services and an increase of \$39.5 million in capital contributions in the Water & Sewer Enterprise fund, and an increase of \$36.7 million in rental, concession, customer and facility fees in the Aviation Enterprise fund. Additionally, interest and investment income increased by \$42.1 million and \$30.4 million in the Water & Sewer and Aviation funds, respectively.



Financial Analysis of the Government's Funds

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

At the end of the fiscal year, the City's governmental funds reported a *combined fund balance* of \$1,724.4 million, a decrease of \$124.2 million over last year. Of the total fund balance, \$5.1 million represents *non-spendable fund balance*.

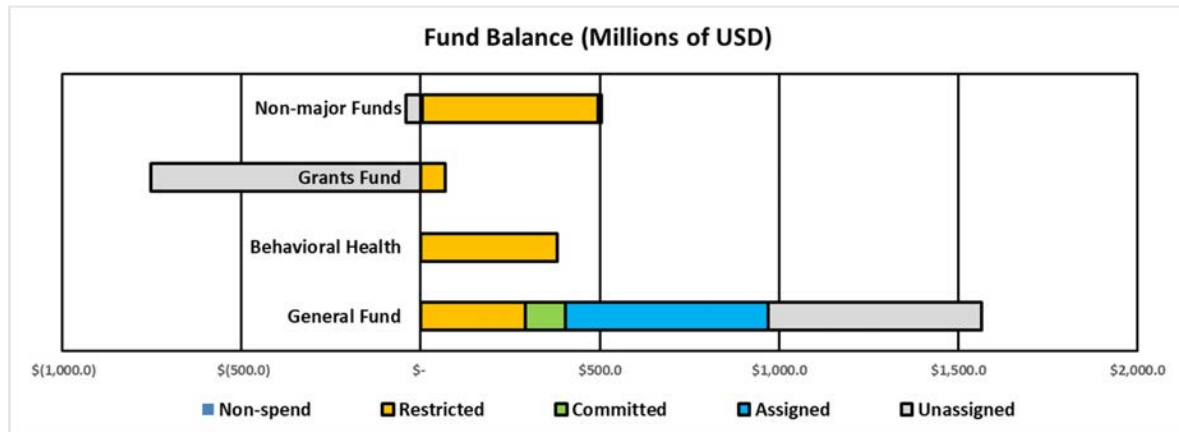
In addition, \$1,230.9 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, for the following purposes:

| | |
|--------------------------------------|-------------------|
| Neighborhood Revitalization | \$ 82.6 |
| Economic Development | 17.3 |
| Public Safety Emergency Phone System | 48.4 |
| Streets & Highways | 64.9 |
| Housing and Neighborhood Development | 102.1 |
| Health Services | 20.2 |
| Behavioral Health | 380.9 |
| Parks & Recreation | 2.0 |
| Libraries & Museums | 0.8 |
| Intergovernmental Financing | 19.0 |
| Opioid Abatement | 19.5 |
| Demolition | 0.4 |
| Stadium Financing | 9.1 |
| Street Lighting Program | 72.4 |
| Debt Service Reserve | 0.6 |
| Capital Projects | 237.6 |
| Rebuild | 100.0 |
| Home Repair Program | 37.3 |
| Trust Purposes | 15.8 |
| Total Restricted Fund Balance | \$ 1,230.9 |

The fund balance is further broken down as *committed fund balance* for the Budget Stabilization Reserve of \$112.8 million, Prisons of \$6.5 million, and Parks and Recreation of \$3.9 million. The difference between the non-spendable,

restricted, committed, assigned and combined fund balance is a deficit of \$200.1 million which constitutes *unassigned fund balance*.

The general fund, the primary operating fund of the City, reported an *assigned fund balance* of \$565.3 million and *unassigned fund balance* of \$594.7 million at the end of the fiscal year.



Overall, the total fund balance of the General Fund increased by \$221.2 million in FY 2024, compared to an increase of \$97.5 million in FY 2023. Some of the key factors contributing to this change are:

Revenues:

- Total FY 2024 General Fund revenue was \$4,893.4 million. This marks a \$170.9 million (3.4%) decrease from the prior fiscal year, which had \$5,064.3 million in revenue.
- This decrease was due primarily to a \$177.0 million decrease in Tax Revenue. The decrease in Tax Revenue was due to decreases in Real Estate Transfer Tax and Parking Tax of \$113.2 million and \$101.9 million, respectively. Beginning in FY 2024, the Parking Tax is now accounted for in a new Special Revenue Fund, the Transportation Fund. The decreases were partially offset by an increase in Wage and Earnings Tax, and Real Estate Taxes of \$110.1 million and \$28.5 million, respectively. The deferral of unearned business taxes (BIRT) increased by \$110.6 million.

Expenditures and Other Financing Sources (Uses):

- Total current year Expenditures and Other Financing Sources (Uses) total \$4,672.2 million, a \$294.6 million (5.9%) decrease from the prior fiscal year \$4,966.8 million.
- This decrease was primarily due to a \$143.9 million decrease in expenditures related to General Management and Support, partly due to decreased employer pension payments. Additionally, there was a \$75.8 million increase in proceeds from the issuance of bonds and an \$84.3 million increase in Transfers to the General Fund. The two largest increases in transfers to the General Fund were increases of \$31.3 million from the PICA Administrative fund and \$55.8 million from the Grants Revenue fund for ARPA revenue replacement funds.

The Health Choices Behavioral Health Fund ended the fiscal year with a total fund balance of \$380.9 million; the entire amount is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance decreased during the fiscal year by \$35.9 million compared to a \$25.9 million increase in fiscal year 2023, mainly as a result of the City's decrease in Revenue from Other Governments.

The Grants Revenue Fund has a total fund balance deficit of \$685.2 million which is comprised of a positive restricted fund balance of \$48.4 million for emergency telephone system programs, a positive restricted fund balance of \$19.5 million for Opioid Abatement, a positive restricted fund balance of \$0.3 million for Neighborhood Revitalization Programs and a deficit unassigned fund balance of \$753.4 million. Because most programs accounted for in the Grants Revenue Fund are reimbursement-based, it is not unusual for the Grants Revenue Fund to end the fiscal year with a deficit unassigned fund balance. The overall fund balance of the Grants Revenue fund experienced a decrease of \$190.2 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 \$307.7 million during the current fiscal year. This increase is attributable to the water/wastewater system, which had an increase of \$102.0 million; airport operations, which had an increase of \$179.9 million; industrial and commercial land bank operations net position increased by \$25.8 million.

The proprietary funds reported an *unrestricted net position* of \$120.4 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.

| (millions of USD) | Unrestricted Net Position (deficit) | | |
|-----------------------|-------------------------------------|--------------|----------------|
| | 2024 | 2023 | Change |
| Water and Waste Water | (\$231.1) | (\$270.7) | \$39.6 |
| Aviation | \$213.0 | \$159.1 | \$53.9 |
| Land Bank | \$138.5 | \$112.7 | \$25.8 |
| | <u>\$120.4</u> | <u>\$1.1</u> | <u>\$119.3</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 at June 30 | Fund Balance Available for Appropriation | Increase (Decrease) |
|----------------------------|--|------------------------|
| 2024 | \$ 942.9 | \$ (38.7) |
| 2023 | 981.6 | 202.5 |
| 2022 | 779.1 | 480.6 |
| 2021 | 298.5 | 7.8 |
| 2020 | 290.7 | (148.0) |

The General Fund's budgetary fund balance surplus of \$942.9 million differs from the General Fund's fund financial statement unassigned fund balance of \$594.7 million by \$348.2 million, which represents the following:

- The unearned portion of the Business Income and Receipts Tax (BIRT prepaids) of \$201.1 million is received prior to being earned but has no effect on budgeted cash receipts.
- The Philadelphia Beverage Tax – Unobligated amount of \$150.1 million is classified as assigned in the governmental fund.
- Lease Related Activities of \$3.0 million are not reported in budgetary fund balance.

The charts below illustrate:

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

City of Philadelphia
Management's Discussion & Analysis

Fiscal Year Ended June 30, 2024

| | (Millions of USD) | | | | |
|---|-------------------|------------|------------|-----------|-----------|
| | 6/30/2024 | 6/30/2023 | 6/30/2022 | 6/30/2021 | 6/30/2020 |
| A. Budget to GAAP Basis Reconciliation | | | | | |
| Budget Basis Fund Balance | \$ 942.9 | \$ 981.6 | \$ 779.1 | \$ 298.5 | \$ 290.7 |
| 1. Less: BIRT six (6) months pre-pays | (201.1) | (147.5) | (204.5) | (167.3) | (166.4) |
| 2. Add: Encumbrances | 415.3 | 260.5 | 493.9 | 311.5 | 255.9 |
| 3. Add: Reserves & Budget Stabilization Fund | 404.7 | 246.8 | 176.4 | 114.4 | 165.3 |
| 4. Add: Lease Related Activities | 3.0 | 2.2 | 1.2 | - | - |
| Modified Accrual Basis Fund Balance | \$ 1,564.8 | \$ 1,343.6 | \$ 1,246.1 | \$ 557.1 | \$ 545.5 |
| B. Modified Accrual Basis Fund Balance | | | | | |
| Restricted & Committed | \$ 404.7 | \$ 246.8 | \$ 176.4 | \$ 114.4 | \$ 165.3 |
| Assigned | | | | | |
| Encumbrances | 415.3 | 260.5 | 493.9 | 311.5 | 255.9 |
| Phila. Beverage Tax - Unobligated | 150.1 | 168.1 | 165.1 | 154.1 | 138.4 |
| Reclassification of Unassigned | - | - | - | (22.9) | (14.1) |
| Assigned | 565.4 | 428.6 | 659.0 | 442.7 | 380.2 |
| Unassigned | 594.7 | 668.2 | 410.7 | - | - |
| Modified Accrual Basis Fund Balance | \$ 1,564.8 | \$ 1,343.6 | \$ 1,246.1 | \$ 557.1 | \$ 545.5 |
| C. Budget to GAAP Basis Reconciliation | | | | | |
| Budget Basis Fund Balance | \$ 942.9 | \$ 981.6 | \$ 779.1 | \$ 298.5 | \$ 290.7 |
| 1. Less: BIRT six (6) months pre-pays | (201.1) | (147.5) | (204.5) | (167.3) | (166.4) |
| 2. Less: Reclass to Assigned Fund Balance | - | - | - | 22.9 | 14.1 |
| 3. Less: Phila Beverage Tax - Unobligated | (150.1) | (168.1) | (165.1) | (154.1) | (138.4) |
| 4. Add: Lease Related Activities | 3.0 | 2.2 | 1.2 | - | - |
| Unassigned Fund Balance | \$ 594.7 | \$ 668.2 | \$ 410.7 | \$ - | \$ - |

The 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 \$259.7 million from an original budget of \$6,195.4 million to a final amended budget of \$6,455.1 million. The largest increases were required to support the following activities:

- \$63.6 million for Capital projects
- \$61.6 million for Police operations
- \$45.2 million for Streets operations
- \$27.6 million for Fleet management
- \$14.6 million for Prison 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 \$9.2 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers, and general office equipment. The table below shows a breakdown of the City's Capital Improvements over the past five fiscal years.

| | (millions of USD) | | | | |
|---|-------------------|----------|----------|----------|----------|
| | FY 2024 | FY 2023 | FY 2022 | FY 2021 | FY 2020 |
| Airport Terminal & Airfield Improvements | \$ 184.7 | \$ 142.9 | \$ 161.3 | \$ 138.0 | \$ 109.7 |
| Water & Wastewater Improvements | 372.7 | 285.4 | 237.2 | 268.0 | 271.1 |
| Streets, Highways & Bridges Improvements | 94.8 | 71.1 | 46.9 | 71.7 | 55.8 |
| Transit System Improvements | 1.4 | 10.9 | 11.4 | 2.9 | 5.6 |
| Parks, Playgrounds, Museums & Recreational Facilities | 142.0 | 46.0 | 26.4 | 27.9 | 25.2 |
| Libraries Improvements | 3.4 | 1.5 | 0.5 | 0.3 | 2.1 |
| Police & Fire Facilities | 15.4 | 16.3 | 17.0 | 23.3 | 17.7 |
| City Hall & Municipal Buildings Improvements | 13.2 | 10.5 | 9.2 | 10.8 | 8.4 |
| Computers, Servers, Software & IT Infrastructure | 19.3 | 24.4 | 21.8 | 18.7 | 43.0 |
| Economic Development | 9.8 | 15.0 | 13.0 | 10.4 | 19.2 |
| Other and Non-Enterprise Vehicles | 28.3 | 22.3 | 43.3 | 36.7 | 39.8 |
| | \$ 885.0 | \$ 646.3 | \$ 588.0 | \$ 608.7 | \$ 597.6 |

**City of Philadelphia
Management's Discussion & Analysis**

Fiscal Year Ended June 30, 2024

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 | | |
|-----------------------------------|-------------------------|-------------------|-----------------|--------------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
| | 2024 | 2023 | Inc/(Dec) | 2024 | 2023 | Inc/(Dec) | 2024 | 2023 | Inc/(Dec) |
| Land | \$ 1,139.1 | \$ 1,014.7 | \$ 124.4 | \$ 251.0 | \$ 243.7 | \$ 7.3 | \$ 1,390.1 | \$ 1,258.4 | \$ 131.7 |
| Lease Asset - Land | - | - | - | 11.3 | 11.3 | - | 11.3 | 11.3 | - |
| Fine Arts | 1.2 | 1.0 | 0.2 | - | - | - | 1.2 | 1.0 | 0.2 |
| Buildings | 634.6 | 622.3 | 12.3 | 1,602.3 | 1,679.4 | (77.1) | 2,236.9 | 2,301.7 | (64.8) |
| Lease Asset - Buildings | 582.3 | 591.0 | (8.7) | 13.6 | 15.4 | (1.8) | 595.9 | 606.4 | (10.5) |
| Improvements other than buildings | 108.1 | 103.2 | 4.9 | 273.9 | 284.0 | (10.1) | 382.0 | 387.2 | (5.2) |
| Machinery & equipment | 225.1 | 215.8 | 9.3 | 26.8 | 45.8 | (19.0) | 251.9 | 261.6 | (9.7) |
| Lease Asset - Equipment | 0.6 | 2.0 | (1.4) | - | 0.1 | (0.1) | 0.6 | 2.1 | (1.5) |
| Infrastructure | 590.4 | 557.5 | 32.9 | 2,073.4 | 1,913.4 | 160.0 | 2,663.8 | 2,470.9 | 192.9 |
| Construction in progress | 28.6 | 15.5 | 13.1 | 1,543.1 | 1,286.8 | 256.3 | 1,571.7 | 1,302.3 | 269.4 |
| Development in Progress | 8.8 | - | 8.8 | - | - | - | 8.8 | - | 8.8 |
| Transit | 23.3 | 27.6 | (4.3) | - | - | - | 23.3 | 27.6 | (4.3) |
| Intangible Assets | 40.3 | 50.7 | (10.4) | 10.1 | 9.3 | 0.8 | 50.4 | 60.0 | (9.6) |
| Subscription Assets | 5.9 | 2.0 | 3.9 | - | - | - | 5.9 | 2.0 | 3.9 |
| Total | \$ 3,388.3 | \$ 3,203.3 | \$ 185.0 | \$ 5,805.5 | \$ 5,489.2 | \$ 316.3 | \$ 9,193.8 | \$ 8,692.5 | \$ 501.3 |

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 \$10.4 billion in long-term debt outstanding. Of this amount, \$6.9 billion represents bonds outstanding (comprised of \$1.9 billion of debt backed by the full faith and credit of the City, and \$5.0 billion of debt secured solely by specific revenue sources) while \$3.5 billion represents other long-term obligations.

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

City of Philadelphia's Long Term Debt Outstanding

(millions of USD)

| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|----------------|--------------------------|----------------|-----------------|----------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| <u>Bonds Outstanding:</u> | | | | | | |
| General obligation bonds | 1,874.7 | 2,016.1 | - | - | 1,874.7 | 2,016.1 |
| Revenue bonds | - | - | 5,030.0 | 4,637.7 | 5,030.0 | 4,637.7 |
| Total Bonds Outstanding | 1,874.7 | 2,016.1 | 5,030.0 | 4,637.7 | 6,904.7 | 6,653.8 |
| <u>Other Long Term Obligations:</u> | | | | | | |
| Service agreements | 1,644.4 | 1,615.5 | - | - | 1,644.4 | 1,615.5 |
| Employee related obligations | 933.6 | 876.3 | 79.0 | 74.7 | 1,012.6 | 951.0 |
| Indemnities | 157.8 | 99.1 | 8.3 | 9.4 | 166.1 | 108.5 |
| Arbitrage | 6.2 | - | 13.0 | 2.4 | 19.2 | 2.4 |
| Leases | 614.5 | 611.0 | 25.1 | 27.1 | 639.6 | 638.1 |
| Subscriptions | 3.5 | 2.3 | - | - | 3.5 | 2.3 |
| Total Other Long Term Obligations | 3,360.0 | 3,204.2 | 125.4 | 113.6 | 3,485.4 | 3,317.8 |
| Total Long Term Debt Outstanding | 5,234.7 | 5,220.3 | 5,155.4 | 4,751.3 | 10,390.1 | 9,971.6 |

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City may borrow temporary loan funds to smooth out unevenness in the City's cash flow created by the receipt of two major sources of tax revenue, the Property Tax and the Business Income and Receipts Tax, in the second half of the year. The City did not borrow Tax Revenue Anticipation Notes in Fiscal Year 2024. In accordance with statute, there are no temporary loans outstanding at year end.
- In September 2023, the City issued \$564.8 million of Water and Wastewater Revenue Bonds Series 2023B. The total proceeds were \$601.9 million (which includes a premium of \$37.1 million).

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

| Bond Type | Moody's Investor Service | Standard & Poor's Corporation | Fitch IBCA |
|--------------------------|---------------------------------|--|-------------------|
| General Obligation Bonds | A1 | 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, 2024, the legal debt limit was \$17.1 billion. The City has \$2.5 billion of outstanding tax supported debt leaving a legal debt margin of \$14.6 billion.

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 2024 fiscal year:

- *Fund Balance:* In FY24, the General Fund ended with a fund balance of \$942.9 million, a \$38.7 million decrease from FY23. The \$942.9 million is higher than the amount included in the PICA approved FY25-FY29 Five Year Plan for several reasons. First, underspending has been a key driver, primarily stemming from hiring challenges. Like many other employers, the City has faced difficulties attracting and retaining staff in a complex and competitive labor market. As a result, funds allocated for unfilled positions and delayed program ramp-ups remained unspent at the end of the fiscal year. Additionally, interest earnings and BIRT collections surpassed the FY25-FY29 Five Year Plan projections, contributing to the higher-than-anticipated fund balance.
- *Contract Negotiations.* More than 80% of City employees are represented by one of the City's municipal unions.

The City works with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal health. In anticipation of entering into multi-year agreements, the City executed one-year extension agreements that expire on June 30, 2025, with each of its major unions. The extensions each contained pay increases and bonuses, and individual agreements had items that ranged from adjustments to meal allowances to changes to sick leave conversion to medical benefits. 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 District Council 33), and employees of the First Judicial District (represented by District Council 47), are not permitted to strike but may proceed to interest arbitration under Act 195.

The table below presents employee wage increases from FY22 to FY25 for each bargaining unit.

| Fiscal Year | FOP Lodge 5 | Sheriff's Office & Register of Wills (FOP Lodge 5) | IAFF LOCAL22 | AFSCME DC33* | Correctional Officers (DC33 LOCAL 159) | AFSCME DC47 (Local 2187) | AFSCME DC47 (Local 2186) | Local 810 Court Employees (DC47) | Steelworkers Local 286 |
|-------------|-----------------------|---|-----------------------|----------------------|--|--------------------------|--------------------------|----------------------------------|------------------------|
| FY22 | 2.75% + \$1,500 Bonus | 2.75% + \$1,300 Bonus (Sheriff) 2.5% + \$1,200 Bonus (ROW) | 2.75% + \$1,500 Bonus | 2.5% + \$1,200 Bonus | 2.75% + \$1,300 Bonus | 2.5% + \$1,200 Bonus | 2.5% + \$1,200 Bonus | 2.5% + \$1,200 Bonus | 2.5% + \$1,200 Bonus |
| FY23 | 3.5% | 3.25% | 3.5% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% |
| FY24 | 3.5% | 3.25% | 3.5% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% | 3.25% |
| FY25** | 5.0% + \$1,800 Bonus | 4.5% + \$1,500 Bonus (Sheriff) 5% + \$1,400 bonus ROW | 5.0% + \$1,800 Bonus | 5.0% + \$1,400 bonus | 4.5% + \$1,600 bonus | 4.4% + \$1,400 bonus | 4.4% + \$1,400 bonus | 4.4% + \$1,400 bonus | 4.4% + \$1,300 bonus |

*District Council 33 includes school crossing guard.

**The City Executed one-year extension agreements covering FY25 with all bargaining units.

- **COVID19 Recovery and Grants:** Since 2020, the City received several large grants 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. Relief from federal and state funding enabled the City to continue to provide core services and pandemic responses, avoid layoffs, and build back up reserves along with the fund balance to help with future disruptions. All American Rescue Plan Act (ARPA) funds had to be obligated by the end of calendar year 2024. With calendar year 2025 marking the first year without ARPA funding, the reduction in available federal resources may limit the City's capacity for investment.

- **Pension Fund Challenges:** In FY25, pension costs are projected to represent 12.3% of General Fund expenditures. The significant share of costs attributed to pensions, combined with the Pension Fund's current funding status – it is now approximately 62.2% funded – make it clear that the City will not attain fiscal stability until it has solidified the financial condition of the Pension Fund. To address this challenge, the City, working with municipal employees, the Pension Board, and City Council, implemented 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 2034. This approach, which involved increasing the City's annual contribution, enacting pension reforms for all city employees, and adjusting the investment strategy to reduce costs, significantly improved the health of the Pension Fund. During the period FY16 through FY24, the funding level of the Pension Fund increased from 45% to over 62%, the highest funding percentage in decades. In FY25, General Fund pension payments are projected to total \$817.7 million.

- **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 Plan (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.

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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



City of Philadelphia
P E N N S Y L V A N I A

**Basic
Financial
Statements**

City of Philadelphia
Statement of Net Position
June 30, 2024

Exhibit I

Amounts in thousands of USD

| | Primary Government | | | Component |
|---|--------------------|---------------|-------------|-------------|
| | Governmental | Business Type | Total | Units |
| | Activities | Activities | | |
| Assets | | | | |
| Cash on Deposit and on Hand | 66,006 | 30 | 66,036 | 638,701 |
| Equity in Pooled Cash and Investments | - | - | - | 919,319 |
| Equity in Treasurer's Account | 3,574,686 | 692,555 | 4,267,241 | - |
| Investments | 10,336 | - | 10,336 | 82,921 |
| Due from Component Units | 43,351 | - | 43,351 | - |
| Due from Primary Government | - | - | - | 370,349 |
| Internal Balances | 16,863 | (16,863) | - | - |
| Amounts Held by Fiscal Agent | 291,916 | - | 291,916 | 200,996 |
| Notes Receivable - Net | - | - | - | 131,080 |
| Accounts Receivable - Net | 687,424 | 235,372 | 922,796 | 448,269 |
| Lease Receivable | 72,261 | - | 72,261 | - |
| Interest and Dividends Receivable | 10,138 | - | 10,138 | 39,483 |
| Due from Other Governments - Net | 1,109,613 | 70,876 | 1,180,489 | 853,749 |
| Inventories | 49,144 | 85,159 | 134,303 | 201,122 |
| Other Assets | 45,174 | 35,994 | 81,168 | 178,759 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | - | 1,810,289 | 1,810,289 | 675,523 |
| Other Assets | - | 573,089 | 573,089 | 201,157 |
| Capital Assets: | | | | |
| Land and Other Non-Depreciated Assets | 1,177,722 | 1,805,397 | 2,983,119 | 1,387,852 |
| Other Capital Assets (Net of Depreciation) | 2,210,561 | 4,000,096 | 6,210,657 | 4,986,819 |
| Total Capital Assets, Net | 3,388,283 | 5,805,493 | 9,193,776 | 6,374,671 |
| Total Assets | 9,365,195 | 9,291,994 | 18,657,189 | 11,316,099 |
| Deferred Outflows of Resources | | | | |
| | 635,653 | 107,110 | 742,763 | 907,557 |
| Liabilities | | | | |
| Notes Payable | 42,134 | 233,253 | 275,387 | 68,842 |
| Vouchers Payable | 136,950 | 43,133 | 180,083 | 7,884 |
| Accounts Payable | 610,319 | 139,202 | 749,521 | 272,170 |
| Salaries and Payroll Deductions Payable | 98,041 | 8,910 | 106,951 | 387,687 |
| Accrued Expenses | 44,771 | 57,278 | 102,049 | 271,658 |
| Due to Fiduciary | 186,247 | - | 186,247 | - |
| Due to Primary Government | - | - | - | 56,574 |
| Due to Component Units | 140,410 | 9,758 | 150,168 | - |
| Funds Held in Escrow | 50,279 | 1,587 | 51,866 | 9,018 |
| Due to Other Governments | 5,993 | - | 5,993 | 49,473 |
| Unearned Revenue | 1,157,413 | 79,833 | 1,237,246 | 389,736 |
| Overpayment of Taxes | 264,870 | - | 264,870 | 62,793 |
| Other Current Liabilities | - | 6,482 | 6,482 | 230,696 |
| Derivative Instrument Liability | 5,725 | - | 5,725 | - |
| Long-term Liabilities: | | | | |
| Due within one year | | | | |
| Bonds Payable & Other Long-term Liabilities | 425,473 | 285,896 | 711,369 | 481,519 |
| Total OPEB Liability | 92,134 | 11,466 | 103,600 | - |
| Due in more than one year | | | | |
| Bonds Payable & Other Long-term Liabilities | 4,809,271 | 4,863,004 | 9,672,275 | 8,826,650 |
| Total OPEB Liability | 1,522,323 | 188,931 | 1,711,254 | 300,841 |
| Net Pension Liability | 3,941,971 | 470,354 | 4,412,325 | 295,009 |
| Total Liabilities | 13,534,324 | 6,399,087 | 19,933,411 | 11,710,550 |
| Deferred Inflows of Resources | | | | |
| | 514,801 | 245,920 | 760,721 | 309,196 |
| Net Position | | | | |
| Net Investment in Capital Assets | 1,094,552 | 1,685,005 | 2,779,557 | 1,635,255 |
| Restricted For: | | | | |
| Capital Projects | 237,636 | 394,370 | 632,006 | 12,786 |
| Debt Service | 637 | 421,909 | 422,546 | 340,736 |
| Pension Oblig Bond Refunding Reserve | 7 | - | 7 | 3,632 |
| Behavioral Health | 380,895 | - | 380,895 | - |
| Neighborhood Revitalization | 82,570 | - | 82,570 | - |
| Street Lighting Project | 72,358 | - | 72,358 | - |
| Rebuild Project | 100,000 | - | 100,000 | - |
| Home Repair Program | 37,300 | - | 37,300 | - |
| Grant Programs | 394,777 | - | 394,777 | 171,021 |
| Rate Stabilization | - | 132,438 | 132,438 | - |
| Educational Programs | - | - | - | 10,701 |
| Other | 83,840 | - | 83,840 | 361,661 |
| Unrestricted(Deficit) | (6,532,849) | 120,375 | (6,412,474) | (2,331,882) |
| Total Net Position | (4,048,277) | 2,754,097 | (1,294,180) | 203,910 |

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, 2024

Exhibit II

Amounts in thousands of USD

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|-----------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-------------|-----------------|
| Functions | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units |
| | | | | | Governmental Activities | Business Type Activities | Total | |
| Primary Government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| Economic Development | 149,742 | 2 | 2,220 | 483 | (147,037) | | (147,037) | |
| Transportation: | | | | | | | | |
| Streets & Highways | 216,205 | 13,737 | 49,806 | 55,062 | (97,600) | | (97,600) | |
| Mass Transit | 114,054 | 3,086 | 99 | - | (110,869) | | (110,869) | |
| Judiciary and Law Enforcement: | | | | | | | | |
| Police | 1,207,401 | 11,749 | 7,809 | - | (1,187,843) | | (1,187,843) | |
| Prisons | 347,724 | 3 | - | - | (347,721) | | (347,721) | |
| Courts | 411,636 | 35,814 | 51,714 | - | (324,108) | | (324,108) | |
| Conservation of Health: | | | | | | | | |
| Emergency Medical Services | 109,319 | 62,704 | 3,564 | - | (43,051) | | (43,051) | |
| Health Services | 2,164,689 | 37,061 | 1,759,171 | - | (368,457) | | (368,457) | |
| Housing and Neighborhood Development | 138,364 | 19,914 | 78,555 | - | (39,895) | | (39,895) | |
| Cultural and Recreational: | | | | | | | | |
| Recreation | 124,276 | 4,992 | 4,561 | 25 | (114,698) | | (114,698) | |
| Parks | 8,495 | 2,583 | - | 1,276 | (4,636) | | (4,636) | |
| Libraries and Museums | 116,762 | 1,946 | 8,645 | - | (106,171) | | (106,171) | |
| Improvements to General Welfare: | | | | | | | | |
| Social Services | 1,022,547 | 3,494 | 670,101 | - | (348,952) | | (348,952) | |
| Education | 342,375 | - | - | - | (342,375) | | (342,375) | |
| Inspections and Demolitions | 59,406 | 83,771 | 80 | - | 24,445 | | 24,445 | |
| Service to Property: | | | | | | | | |
| Sanitation | 221,939 | 26,891 | 1,196 | - | (193,852) | | (193,852) | |
| Fire | 511,255 | 15,880 | 2,357 | - | (493,018) | | (493,018) | |
| General Management and Support | 1,212,420 | 173,092 | 428,966 | 4,514 | (605,848) | | (605,848) | |
| Interest on Long Term Debt | 114,155 | - | - | - | (114,155) | | (114,155) | |
| Total Governmental Activities | 8,592,764 | 496,719 | 3,068,844 | 61,360 | (4,965,841) | | (4,965,841) | |
| Business Type Activities: | | | | | | | | |
| Water and Sewer | 796,846 | 844,180 | 2,100 | 41,383 | - | 90,817 | 90,817 | |
| Aviation | 455,957 | 506,569 | - | 48,662 | - | 99,274 | 99,274 | |
| Industrial and Commercial Development | 210 | - | - | - | - | (210) | (210) | |
| Total Business Type Activities | 1,253,013 | 1,350,749 | 2,100 | 90,045 | - | 189,881 | 189,881 | |
| Total Primary Government | 9,845,777 | 1,847,468 | 3,070,944 | 151,405 | (4,965,841) | 189,881 | (4,775,960) | |
| Component Units: | | | | | | | | |
| Gas Operations | 568,968 | 634,508 | 44,028 | - | | | | 109,568 |
| Housing | 621,831 | 89,529 | 546,799 | 35,130 | | | | 49,627 |
| Parking | 326,000 | 332,237 | - | - | | | | 6,237 |
| Education | 4,910,400 | 33,111 | 1,871,907 | 157,761 | | | | (2,847,621) |
| Health | 1,240,168 | - | 1,239,560 | - | | | | (608) |
| Economic Development | 214,702 | 744 | 77,939 | - | | | | (136,019) |
| Total Component Units | 7,882,069 | 1,090,129 | 3,780,233 | 192,891 | | | | (2,818,816) |
| General Revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property Taxes | | | | | 842,902 | - | 842,902 | 1,047,093 |
| Wage & Earnings Taxes | | | | | 2,550,190 | - | 2,550,190 | - |
| Business Taxes | | | | | 675,248 | - | 675,248 | - |
| Other Taxes | | | | | 1,066,259 | - | 1,066,259 | 546,874 |
| Grants & Contributions Not Restricted to Specific Programs | | | | | 241,485 | 4,627 | 246,112 | 1,859,162 |
| Unrestricted Interest & Investment Earnings | | | | | 199,391 | 145,080 | 344,471 | 90,211 |
| Miscellaneous | | | | | 820 | 33,905 | 34,725 | (26,075) |
| Special Items - Gain on Sale of Capital Asset | | | | | - | - | - | 4,111 |
| Transfers | | | | | 65,792 | (65,792) | - | 139,429 |
| Total General Revenues, Special Items and Transfers | | | | | 5,642,087 | 117,820 | 5,759,907 | 3,660,805 |
| Change in Net Position | | | | | 676,246 | 307,701 | 983,947 | 841,989 |
| Net Position - July 1, 2023 | | | | | (4,724,523) | 2,446,396 | (2,278,127) | (638,079) |
| Net Position - June 30, 2024 | | | | | (4,048,277) | 2,754,097 | (1,294,180) | 203,910 |

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

Amounts in thousands of USD

| | General Fund | HealthChoices Behavioral Health Fund | Grants Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------|---|---------------------------|--------------------------------|--------------------------------|
| <u>Assets</u> | | | | | |
| Cash on Deposit and on Hand | 31,573 | - | 261 | 34,172 | 66,006 |
| Equity in Treasurer's Account | 2,187,551 | 343,644 | 464,505 | 578,986 | 3,574,686 |
| Investments | - | - | - | 10,336 | 10,336 |
| Due from Other Funds | 32,726 | - | - | 17,395 | 50,121 |
| Due from Component Units | 43,351 | - | - | - | 43,351 |
| Amounts Held by Fiscal Agent | 291,916 | - | - | - | 291,916 |
| Taxes Receivable | 624,714 | - | - | 45,368 | 670,082 |
| Accounts Receivable | 487,594 | - | 170,003 | 7,047 | 664,644 |
| Lease Receivable | 31,269 | - | - | 57,854 | 89,123 |
| Due from Other Governmental Units | 615 | 95,475 | 848,338 | 165,185 | 1,109,613 |
| Allowance for Doubtful Accounts | (651,400) | - | - | (13,297) | (664,697) |
| Interest and Dividends Receivable | 6,342 | 1,705 | - | 155 | 8,202 |
| Other Assets | - | - | - | 831 | 831 |
| Total Assets | <u>3,086,251</u> | <u>440,824</u> | <u>1,483,107</u> | <u>904,032</u> | <u>5,914,214</u> |
| <u>Liabilities</u> | | | | | |
| Vouchers Payable | 59,271 | 170 | 37,407 | 40,102 | 136,950 |
| Accounts Payable | 301,099 | 10,812 | 211,286 | 87,122 | 610,319 |
| Salaries and Payroll Deductions Payable | 90,713 | 1 | 4,453 | 2,783 | 97,950 |
| Payroll Taxes Payable | - | - | - | 91 | 91 |
| Due to Other Funds | 186,247 | - | - | 32,726 | 218,973 |
| Due to Component Units | 74,064 | 48,946 | 345 | 17,055 | 140,410 |
| Funds Held in Escrow | 43,675 | - | 131 | 6,473 | 50,279 |
| Due to Other Governmental Units | 5,993 | - | - | - | 5,993 |
| Unearned Revenue | 207,025 | - | 935,738 | 14,650 | 1,157,413 |
| Overpayment of Taxes | 264,870 | - | - | - | 264,870 |
| Total Liabilities | <u>1,232,957</u> | <u>59,929</u> | <u>1,189,360</u> | <u>201,002</u> | <u>2,683,248</u> |
| <u>Deferred Inflows of Resources</u> | <u>288,523</u> | <u>-</u> | <u>978,899</u> | <u>239,169</u> | <u>1,506,591</u> |
| <u>Fund Balances</u> | | | | | |
| Nonspendable | - | - | - | 5,097 | 5,097 |
| Restricted | 291,915 | 380,895 | 68,273 | 489,858 | 1,230,941 |
| Committed | 112,799 | - | - | 10,367 | 123,166 |
| Assigned | 565,311 | - | - | - | 565,311 |
| Unassigned | 594,746 | - | (753,425) | (41,461) | (200,140) |
| Total Fund Balances | <u>1,564,771</u> | <u>380,895</u> | <u>(685,152)</u> | <u>463,861</u> | <u>1,724,375</u> |
| <u>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | <u>3,086,251</u> | <u>440,824</u> | <u>1,483,107</u> | <u>904,032</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 | 3,388,283 |
| b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds | 1,404,512 |
| c. Long Term Liabilities, including bonds payable are not reported in the funds | (5,234,744) |
| d. Derivatives and Deferred Outflows of Resources are not reported in the funds | 629,928 |
| e. Other | 8,519 |
| f. Net Pension & OPEB Liabilities are not reported in the funds | (5,556,428) |
| g. Deferred Inflows (with the exception of Unavailable Revenue) are not reported in the funds | (412,722) |

Net Position of Governmental Activities (4,048,277)

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, 2024

Exhibit IV

Amounts in thousands of USD

| | General Fund | HealthChoices Behavioral Health Fund | Grants Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|---|---------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Tax Revenue | 4,034,334 | - | - | 1,086,208 | 5,120,542 |
| Locally Generated Non-Tax Revenue | 462,816 | 22,420 | 96,006 | 45,921 | 627,163 |
| Revenue from Other Governments | 362,738 | 1,220,956 | 1,429,889 | 118,795 | 3,132,378 |
| Other Revenues | 33,535 | - | - | 7,044 | 40,579 |
| Total Revenues | 4,893,423 | 1,243,376 | 1,525,895 | 1,257,968 | 8,920,662 |
| Expenditures | | | | | |
| Current Operating: | | | | | |
| Economic Development | 58,823 | - | 2,220 | 80,029 | 141,072 |
| Transportation: | | | | | |
| Streets & Highways | 52,139 | - | 6,662 | 116,812 | 175,613 |
| Mass Transit | 109,567 | - | 99 | - | 109,666 |
| Judiciary and Law Enforcement: | | | | | |
| Police | 1,322,505 | - | 5,217 | - | 1,327,722 |
| Prisons | 368,982 | - | - | 1,469 | 370,451 |
| Courts | 401,377 | - | 45,427 | - | 446,804 |
| Conservation of Health: | | | | | |
| Emergency Medical Services | 116,915 | - | 3,563 | - | 120,478 |
| Health Services | 236,827 | 1,279,235 | 482,676 | 186,527 | 2,185,265 |
| Housing and Neighborhood Development | 26,619 | - | 31,286 | 80,457 | 138,362 |
| Cultural and Recreational: | | | | | |
| Recreation | 170,378 | - | 4,760 | - | 175,138 |
| Parks | - | - | - | 2,849 | 2,849 |
| Libraries and Museums | 114,125 | - | 8,312 | 161 | 122,598 |
| Improvements to General Welfare: | | | | | |
| Social Services | 357,615 | - | 672,955 | - | 1,030,570 |
| Education | 342,375 | - | - | - | 342,375 |
| Inspections and Demolitions | 63,757 | - | 81 | 1,000 | 64,838 |
| Service to Property: | | | | | |
| Sanitation | 228,903 | - | 1,196 | 3,503 | 233,602 |
| Fire | 553,305 | - | 2,598 | - | 555,903 |
| General Management and Support | 1,087,424 | - | 23,627 | 131,740 | 1,242,791 |
| Capital Outlay | - | - | - | 325,705 | 325,705 |
| Debt Service: | | | | | |
| Principal | 21,783 | - | 442 | 119,312 | 141,537 |
| Interest | 9,396 | - | 77 | 81,329 | 90,802 |
| Bond Issuance Cost | 2,538 | - | - | - | 2,538 |
| Total Expenditures | 5,645,353 | 1,279,235 | 1,291,198 | 1,130,893 | 9,346,679 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (751,930) | (35,859) | 234,697 | 127,075 | (426,017) |
| Other Financing Sources (Uses) | | | | | |
| Issuance of Debt | 175,275 | - | - | - | 175,275 |
| Bond Issuance Premium | 18,463 | - | - | - | 18,463 |
| Subscriptions | 4,439 | - | - | - | 4,439 |
| Leases (as lessee) | 30,160 | - | - | 7,688 | 37,848 |
| Transfers In | 1,127,609 | - | - | 467,975 | 1,595,584 |
| Transfers Out | (382,841) | - | (424,874) | (722,076) | (1,529,791) |
| Total Other Financing Sources (Uses) | 973,105 | - | (424,874) | (246,413) | 301,818 |
| Net Change in Fund Balance | 221,175 | (35,859) | (190,177) | (119,338) | (124,199) |
| Fund Balance - July 1, 2023 | 1,343,596 | 416,754 | (494,975) | 583,199 | 1,848,574 |
| Fund Balance - June 30, 2024 | 1,564,771 | 380,895 | (685,152) | 463,861 | 1,724,375 |

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, 2024

Exhibit V

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds..... (124,199)

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 (414,736) exceeded depreciation (223,124), 191,612
- b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..... 287,114
- c. Proceeds from debt obligations and lease/subscription financing 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 proceeds (236,025) were exceeded by repayments (318,591) 82,566
- d. The increase in the Net Pension Liability and Total OPEB Liability reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds..... 379,500
- 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..... (140,347)

Change in Net Position of governmental activities..... 676,246

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, 2024

Exhibit VI

Amounts in thousands of USD

| | Business Type Activities - Enterprise Funds | | | |
|--|---|-------------|--|-------------|
| | Water and Sewer | Aviation | Other Non-Major Industrial & Commercial Development | Total |
| <u>Assets</u> | | | | |
| Current Assets: | | | | |
| Cash on Deposit and on Hand | 30 | - | - | 30 |
| Equity in Treasurer's Account | 159,425 | 522,024 | 11,106 | 692,555 |
| Due from Other Governments | - | 474 | 70,402 | 70,876 |
| Accounts Receivable | 212,524 | 43,026 | - | 255,550 |
| Allowance for Doubtful Accounts | (20,008) | (170) | - | (20,178) |
| Inventories | 24,328 | 3,792 | 57,039 | 85,159 |
| Other Assets | 1,137 | 34,857 | - | 35,994 |
| Total Current Assets | 377,436 | 604,003 | 138,547 | 1,119,986 |
| Non-Current Assets: | | | | |
| Restricted Assets: | | | | |
| Equity in Treasurer's Account | 1,144,463 | 665,826 | - | 1,810,289 |
| Sinking Funds and Reserves | 247,648 | 135,355 | - | 383,003 |
| Grants for Capital Purposes | - | 27,581 | - | 27,581 |
| Receivables | 6,268 | 156,237 | - | 162,505 |
| Total Restricted Assets | 1,398,379 | 984,999 | - | 2,383,378 |
| Capital Assets: | | | | |
| Land | 13,141 | 249,111 | - | 262,252 |
| Infrastructure | 3,295,110 | 1,369,947 | - | 4,665,057 |
| Construction in Progress | 895,085 | 648,060 | - | 1,543,145 |
| Buildings and Equipment | 2,253,962 | 2,958,524 | - | 5,212,486 |
| Less: Accumulated Depreciation | (3,032,363) | (2,845,084) | - | (5,877,447) |
| Total Capital Assets, Net | 3,424,935 | 2,380,558 | - | 5,805,493 |
| Total Non-Current Assets | 4,823,314 | 3,365,557 | - | 8,188,871 |
| Total Assets | 5,200,750 | 3,969,560 | 138,547 | 9,308,857 |
| <u>Deferred Outflows of Resources</u> | 85,438 | 21,672 | - | 107,110 |
| <u>Liabilities</u> | | | | |
| Current Liabilities: | | | | |
| Vouchers Payable | 11,726 | 31,407 | - | 43,133 |
| Accounts Payable | 21,454 | - | - | 21,454 |
| Salaries and Payroll Deductions Payable | 6,780 | 2,130 | - | 8,910 |
| Construction Contracts Payable | 73,896 | 43,852 | - | 117,748 |
| Due to Other Funds | 16,863 | - | - | 16,863 |
| Due to Component Units | 3,734 | 6,024 | - | 9,758 |
| Accrued Expenses | 26,399 | 30,879 | - | 57,278 |
| Funds Held in Escrow | 1,587 | - | - | 1,587 |
| Unearned Revenue | 17,759 | 62,074 | - | 79,833 |
| Commercial Paper Notes | 30,410 | 202,843 | - | 233,253 |
| Bonds Payable-Current | 92,996 | 192,900 | - | 285,896 |
| Total OPEB Liability-Current | 7,808 | 3,658 | - | 11,466 |
| Other Current Liabilities | 4,231 | 2,251 | - | 6,482 |
| Total Current Liabilities | 315,643 | 578,018 | - | 893,661 |
| Total OPEB Liability | 127,582 | 61,349 | - | 188,931 |
| Net Pension Liability | 308,063 | 162,291 | - | 470,354 |
| Non-Current Liabilities: | | | | |
| Bonds Payable, net of Unamortized Premiums/Discounts | 3,349,210 | 1,394,959 | - | 4,744,169 |
| Other Non-Current Liabilities | 82,271 | 36,564 | - | 118,835 |
| Total Non-Current Liabilities | 3,431,481 | 1,431,523 | - | 4,863,004 |
| Total Liabilities | 4,182,769 | 2,233,181 | - | 6,415,950 |
| <u>Deferred Inflows of Resources</u> | 42,663 | 203,257 | - | 245,920 |
| <u>Net Position</u> | | | | |
| Net Investment in Capital Assets | 685,289 | 999,716 | - | 1,685,005 |
| Restricted For: | | | | |
| Capital Projects | 224,660 | 169,710 | - | 394,370 |
| Debt Service | 249,517 | 172,392 | - | 421,909 |
| Rate Stabilization | 132,438 | - | - | 132,438 |
| Unrestricted | (231,148) | 212,976 | 138,547 | 120,375 |
| Total Net Position | 1,060,756 | 1,554,794 | 138,547 | 2,754,097 |

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, 2024

Exhibit VII

Amounts in thousands of USD

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|------------------|---|------------------|
| | Water and Sewer | Aviation | Other Non-Major Industrial & Commercial Development | Totals |
| Operating Revenues: | | | | |
| Charges for Goods and Services | 832,426 | 106,913 | - | 939,339 |
| Rentals and Concessions | - | 302,270 | - | 302,270 |
| Operating Grants | 2,100 | - | - | 2,100 |
| Miscellaneous Operating Revenues | 11,754 | 10,382 | - | 22,136 |
| Total Operating Revenues | 846,280 | 419,565 | - | 1,265,845 |
| Operating Expenses: | | | | |
| Personal Services | 184,920 | 90,045 | - | 274,965 |
| Purchase of Services | 151,229 | 136,467 | - | 287,696 |
| Materials and Supplies | 69,547 | 9,060 | - | 78,607 |
| Employee Benefits | 114,278 | 39,015 | - | 153,293 |
| Indemnities and Taxes | 5,947 | 7,607 | - | 13,554 |
| Depreciation | 162,048 | 119,037 | - | 281,085 |
| Cost of Goods Sold | - | - | 210 | 210 |
| Total Operating Expenses | 687,969 | 401,231 | 210 | 1,089,410 |
| Operating Income (Loss) | 158,311 | 18,334 | (210) | 176,435 |
| Non-Operating Revenues (Expenses): | | | | |
| Federal, State and Local Grants | (43) | 4,670 | - | 4,627 |
| Passenger and Customer Facility Charges | - | 87,004 | - | 87,004 |
| Investment Earnings | 76,984 | 67,570 | 526 | 145,080 |
| Debt Service - Interest | (106,804) | (54,726) | - | (161,530) |
| Other Revenue (Expenses) | (2,073) | 8,416 | 25,489 | 31,832 |
| Total Non-Operating Revenues (Expenses) | (31,936) | 112,934 | 26,015 | 107,013 |
| Income (Loss) Before Contributions & Transfers | 126,375 | 131,268 | 25,805 | 283,448 |
| Transfers In/(Out) | (65,792) | - | - | (65,792) |
| Capital Contributions | 41,383 | 48,662 | - | 90,045 |
| Change in Net Position | 101,966 | 179,930 | 25,805 | 307,701 |
| Net Position - July 1, 2023 | 958,790 | 1,374,864 | 112,742 | 2,446,396 |
| Net Position - June 30, 2024 | 1,060,756 | 1,554,794 | 138,547 | 2,754,097 |

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, 2024

Exhibit VIII

Amounts in thousands of USD

| | Business Type Activities - Enterprise Funds | | | |
|---|---|-------------|---|-------------|
| | Water and Sewer | Aviation | Other Non-Major Industrial & Commercial Development | Totals |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from Customers | 827,810 | 402,748 | - | 1,230,558 |
| Payments to Suppliers | (235,578) | (129,251) | - | (364,829) |
| Payments to Employees | (320,824) | (141,664) | - | (462,488) |
| Internal Activity-Payments to Other Funds | - | (8,050) | - | (8,050) |
| Claims Paid | (5,947) | - | - | (5,947) |
| Other Receipts (Payments) | - | 1,684 | - | 1,684 |
| Net Cash Provided (Used) | 265,461 | 125,467 | - | 390,928 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Grants Received | 2,057 | 5,017 | - | 7,074 |
| Operating Subsidies and Transfers from/(to) Other Funds | (64,105) | - | - | (64,105) |
| Net Cash Provided (Used) | (62,048) | 5,017 | - | (57,031) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from Debt Issuance | 549,319 | 1,419,825 | - | 1,969,144 |
| Capital Grants & Contributions Received | - | 43,461 | - | 43,461 |
| Acquisition and Construction of Capital Assets | (336,062) | (176,022) | - | (512,084) |
| Interest Paid on Debt Instruments | (125,947) | (75,288) | - | (201,235) |
| Principal Paid on Debt Instruments | (83,747) | (1,439,645) | - | (1,523,392) |
| Passenger Facility Charges | - | 86,357 | - | 86,357 |
| Other Receipts (Payments) | 647 | 6,181 | - | 6,828 |
| Net Cash Provided (Used) | 4,210 | (135,131) | - | (130,921) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from Sale and Maturities of Investments | - | 1,168 | - | 1,168 |
| Interest, Dividends and Losses on Investments | 61,236 | 63,863 | 526 | 125,625 |
| Net Cash Provided (Used) | 61,236 | 65,031 | 526 | 126,793 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 268,859 | 60,384 | 526 | 329,769 |
| Cash and Cash Equivalents, July 1 (including \$859.8 mil for Water & Sewer and \$638.3 mil for Aviation reported in restricted accounts) | 1,035,059 | 1,127,465 | 10,580 | 2,173,104 |
| Cash and Cash Equivalents, June 30 (including \$1,144.5 mil for Water & Sewer and \$665.8 mil for Aviation reported in restricted accounts) | 1,303,918 | 1,187,849 | 11,106 | 2,502,873 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating Income (Loss) | 158,311 | 18,334 | (210) | 176,435 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation Expense | 162,048 | 119,037 | - | 281,085 |
| Bad Debts, Net of Recoveries | - | - | - | - |
| Changes in Assets and Liabilities: | | | | |
| Receivables, Net | (19,700) | (35,557) | (41,496) | (96,753) |
| Unearned Revenue | 1,230 | 20,424 | - | 21,654 |
| Inventories | (1,723) | 868 | 41,706 | 40,851 |
| Accounts and Other Payables | (12,485) | 2,361 | - | (10,124) |
| Accrued Expenses | (22,220) | - | - | (22,220) |
| Net Cash Provided by Operating Activities | 265,461 | 125,467 | - | 390,928 |
| Schedule of non-cash capital activities: | | | | |
| Contributions of capital assets | - | - | - | - |

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

City of Philadelphia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

Exhibit IX

Amounts in thousands of USD

| | <u>Pension Trust Funds (Fiduciary Component Units)</u> | <u>Custodial Funds</u> |
|---|--|----------------------------|
| <u>Assets</u> | | |
| Cash on Deposit and on Hand | 15,078 | 135,102 |
| Equity in Treasurer's Account | 9,001,868 | 898 |
| Investments | - | 2,697 |
| Securities Lending Collective Investment Pool | 381,285 | - |
| Accounts Receivable | 4,007 | - |
| Due from Brokers for Securities Sold | 313,323 | - |
| Interest and Dividends Receivable | 2,100 | - |
| Due from Other Governmental Units | 6,268 | - |
| Due from Other Funds | 185,016 | 699 |
| | <hr/> | <hr/> |
| Total Assets | 9,908,945 | 139,396 |
| | <hr/> | <hr/> |
| <u>Liabilities</u> | | |
| Vouchers Payable | 36 | 43 |
| Accounts Payable | 138 | - |
| Salaries and Wages Payable | 86 | - |
| Funds Held in Escrow | - | 4,910 |
| Due on Return of Securities Loaned | 381,284 | - |
| Due to Brokers for Securities Purchased | 300,598 | - |
| Accrued Expenses | 5,063 | - |
| Other Liabilities | 548 | - |
| | <hr/> | <hr/> |
| Total Liabilities | 687,753 | 4,953 |
| | <hr/> | <hr/> |
| <u>Net Position</u> | | |
| Net Position Restricted for Pensions | 9,221,192 | - |
| Restricted for Individuals, Organizations & Other Governments | - | 134,443 |
| | <hr/> | <hr/> |
| Total Net Position | 9,221,192 | 134,443 |
| | <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, 2024

Exhibit X

Amounts in thousands of USD

| | Pension Trust Funds (Fiduciary Component Units) | Custodial Funds |
|--|---|--------------------|
| Additions: | | |
| Contributions: | | |
| Employers' Contributions | 978,686 | - |
| Employees' Contributions | 129,997 | - |
| Total Contributions | 1,108,683 | - |
| Investment Income: | | |
| Interest and Dividends | 251,795 | - |
| Net Gain in Fair Value of Investments | 502,714 | - |
| (Less) Investments Expenses | (17,911) | - |
| Securities Lending Revenue | 4,928 | - |
| (Less) Securities Lending Expenses | (3,110) | - |
| Net Investment Gain | 738,416 | - |
| Other Income: | | |
| Collection of Human Services fees, contributions, and holdings | - | 640 |
| Collection of Judicial charges, fees, and holdings | - | 65,446 |
| Collection of prisoner holdings | - | 6,919 |
| Collection of recording fees for other governments | - | 3,873 |
| Collection of Sheriff and Police forfeitures, seizures, and holdings | - | 31,742 |
| Collection of unclaimed monies | - | 5,008 |
| Miscellaneous Operating Revenues | 173 | - |
| Total Other Income | 173 | 113,628 |
| Total Additions | 1,847,272 | 113,628 |
| Deductions: | | |
| Personal Services | 4,512 | - |
| Purchase of Services | 2,081 | - |
| Materials and Supplies | 60 | - |
| Employee Benefits | 3,253 | - |
| Pension Benefits | 1,012,271 | - |
| Refunds of Members' Contributions | 15,504 | - |
| Administrative Expenses Paid | 494 | - |
| Other Operating Expenses | 127 | - |
| Distribution of Human Service fees, contributions and holdings | - | 640 |
| Distribution of Judicial charges, fees, and holdings | - | 54,664 |
| Distribution of prisoner holdings | - | 6,919 |
| Distribution of recording fees for other governments | - | 3,873 |
| Distribution of Sheriff and Police forfeitures, seizures, and holdings | - | 32,339 |
| Distribution of unclaimed monies | - | 5,008 |
| Total Deductions | 1,038,302 | 103,443 |
| Change in Net Position | 808,970 | 10,185 |
| Net Position - July 1, 2023 | 8,412,222 | 124,258 |
| Net Position - June 30, 2024 | 9,221,192 | 134,443 |

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

City of Philadelphia
Statement of Net Position
Component Units
June 30, 2024

Exhibit XI

Amounts in thousands of USD

| | Philadelphia Gas Works* | Philadelphia Housing Authority* | Philadelphia Redevelopment Authority | Philadelphia Parking Authority* | School District of Philadelphia | Community College of Philadelphia | Community Behavioral Health* | Philadelphia Authority for Industrial Development* | Total |
|--|----------------------------|---------------------------------------|--|---------------------------------------|---------------------------------------|--|------------------------------------|---|-------------|
| Assets | | | | | | | | | |
| Cash on Deposit and on Hand | 115,612 | 244,503 | 43,109 | 39,243 | - | 70,671 | 11,675 | 113,888 | 638,701 |
| Equity in Pooled Cash and Investments | - | - | - | - | 919,319 | - | - | - | 919,319 |
| Investments | - | - | - | 20,132 | - | 62,789 | - | - | 82,921 |
| Due from Primary Government | - | 1,185 | 57,507 | - | 121,013 | 3,662 | 186,982 | - | 370,349 |
| Amounts Held by Fiscal Agent | - | - | - | - | 200,996 | - | - | - | 200,996 |
| Notes Receivable | - | 127,084 | 3,996 | - | - | - | - | - | 131,080 |
| Taxes Receivable | - | - | - | - | 211,926 | - | - | - | 211,926 |
| Accounts Receivable-Net | 89,137 | 19,297 | 4,238 | 91,224 | 22,310 | 3,767 | 57 | 6,313 | 236,343 |
| Interest and Dividends Receivable | - | 1,097 | 36,244 | 41 | 2,101 | - | - | - | 39,483 |
| Due from Other Governments | - | 351,946 | - | - | 496,419 | 2,403 | - | 2,981 | 853,749 |
| Inventories | 67,390 | 1,037 | 131,916 | - | 779 | - | - | - | 201,122 |
| Other Assets | 75,030 | 16,169 | 31,696 | 9,031 | 28,542 | 1,007 | 5,135 | 12,149 | 178,759 |
| Restricted Assets: | | | | | | | | | |
| Cash and Cash Equivalents | - | 91,987 | 22,252 | 52,393 | 352,488 | - | - | 156,403 | 675,523 |
| Other Assets | 119,074 | 5,645 | 15,549 | - | 9,500 | 46,101 | - | 5,288 | 201,157 |
| Capital Assets: | | | | | | | | | |
| Land and Other Non-Depreciated Assets | 218,912 | 203,244 | 170 | 23,799 | 890,864 | 39,860 | - | 11,003 | 1,387,852 |
| Other Capital Assets (Net of Depreciation) | 1,681,131 | 1,093,692 | 33 | 116,470 | 1,762,596 | 165,151 | 51,408 | 116,338 | 4,986,819 |
| Total Capital Assets | 1,900,043 | 1,296,936 | 203 | 140,269 | 2,653,460 | 205,011 | 51,408 | 127,341 | 6,374,671 |
| Total Assets | 2,366,286 | 2,156,886 | 346,710 | 352,333 | 5,018,853 | 395,411 | 255,257 | 424,363 | 11,316,099 |
| Deferred Outflows of Resources | | | | | | | | | |
| | 119,145 | 34,009 | - | 39,521 | 706,650 | 7,675 | 557 | - | 907,557 |
| Liabilities | | | | | | | | | |
| Notes Payable | 35,000 | - | 7,897 | - | - | 25,945 | - | - | 68,842 |
| Vouchers Payable | - | - | - | - | - | 7,884 | - | - | 7,884 |
| Accounts Payable | 73,357 | 21,150 | 17,968 | 23,875 | 93,993 | - | 18,581 | 23,246 | 272,170 |
| Salaries and Wages Payable | 5,078 | 3,079 | - | - | 368,186 | 11,344 | - | - | 387,687 |
| Accrued Expenses | 74,118 | 16,216 | 15,790 | 145 | - | 187 | 165,202 | - | 271,658 |
| Funds Held in Escrow | - | 2,094 | 5,563 | - | - | 488 | - | 873 | 9,018 |
| Due to Other Governments | - | 79 | - | 31,970 | 16,153 | 1,271 | - | - | 49,473 |
| Due to Primary Government | - | - | - | 11,391 | - | - | - | 45,183 | 56,574 |
| Unearned Revenue | 10,205 | 22,282 | 64,542 | - | 54,310 | 10,506 | - | 227,891 | 389,736 |
| Overpayment of Taxes | - | - | - | - | 62,793 | - | - | - | 62,793 |
| Other Current Liabilities | - | 11,301 | - | 4,031 | 205,896 | - | 9,468 | - | 230,696 |
| Non-Current Liabilities: | | | | | | | | | |
| Due within one year | 56,480 | 69,028 | 3,794 | 3,432 | 337,183 | 9,053 | 1,915 | 634 | 481,519 |
| Due in more than one year | 987,344 | 214,262 | 123,425 | 91,693 | 7,287,944 | 55,609 | 49,543 | 16,830 | 8,826,650 |
| Net OPEB Liability | 113,707 | 1,457 | - | 20,867 | - | 158,496 | 6,314 | - | 300,841 |
| Net Pension Liability | 186,671 | 77,347 | - | 30,991 | - | - | - | - | 295,009 |
| Total Liabilities | 1,541,960 | 438,295 | 238,979 | 218,395 | 8,426,458 | 280,783 | 251,023 | 314,657 | 11,710,550 |
| Deferred Inflows of Resources | | | | | | | | | |
| | 105,621 | 15,615 | 3,186 | 46,530 | 88,538 | 36,845 | 1,209 | 11,652 | 309,196 |
| Net Position | | | | | | | | | |
| Net Investment in Capital Assets | 822,451 | 759,871 | 33 | 61,514 | (213,488) | 94,550 | (50) | 110,374 | 1,635,255 |
| Restricted For: | | | | | | | | | |
| Capital Projects | - | - | - | - | - | 12,786 | - | - | 12,786 |
| Debt Service | 116,145 | - | 16,996 | 4,683 | 202,912 | - | - | - | 340,736 |
| Behavioral Health | - | - | - | - | - | - | 3,632 | - | 3,632 |
| Educational Programs | - | - | - | - | 6,906 | 3,795 | - | - | 10,701 |
| Grant Programs | - | 9,331 | - | - | - | - | - | 161,690 | 171,021 |
| Other | 2,929 | 329,698 | - | - | 14,863 | 14,171 | - | - | 361,661 |
| Unrestricted | (103,675) | 638,085 | 87,516 | 60,732 | (2,800,686) | (39,844) | - | (174,010) | (2,331,882) |
| Total Net Position | 837,850 | 1,736,985 | 104,545 | 128,929 | (2,789,493) | 85,458 | 3,582 | 98,054 | 203,910 |

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2024. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2023. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2024.

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

City of Philadelphia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2024

Exhibit XII

Amounts in thousands of USD

| Functions | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | | | | | | Total |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|---------------------------------|--------------------------------------|---------------------------------|---------------------------------|-----------------------------------|------------------------------|--|-------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Philadelphia Gas Works* | Philadelphia Housing Authority* | Philadelphia Redevelopment Authority | Philadelphia Parking Authority* | School District of Philadelphia | Community College of Philadelphia | Community Behavioral Health* | Philadelphia Authority for Industrial Development* | |
| Gas Operations | | | | | | | | | | | | | |
| Gas Works | 568,968 | 634,508 | 44,028 | - | 109,568 | | | | | | | | 109,568 |
| Housing | | | | | | | | | | | | | |
| Housing Authority | 549,996 | 86,967 | 523,911 | 35,130 | | 96,012 | | | | | | | 96,012 |
| Redevelopment Authority | 71,835 | 2,562 | 22,888 | - | | | (46,385) | | | | | | (46,385) |
| Total | 621,831 | 89,529 | 546,799 | 35,130 | | | | | | | | | |
| Parking | | | | | | | | | | | | | |
| Parking Authority | 326,000 | 332,237 | - | - | | | | 6,237 | | | | | 6,237 |
| Education | | | | | | | | | | | | | |
| School District | 4,749,883 | 11,559 | 1,817,185 | 157,761 | | | | | (2,763,378) | | | | (2,763,378) |
| Community College | 160,517 | 21,552 | 54,722 | - | | | | | | (84,243) | | | (84,243) |
| Total | 4,910,400 | 33,111 | 1,871,907 | 157,761 | | | | | | | | | |
| Health | | | | | | | | | | | | | |
| Community Behavioral Health | 1,240,168 | - | 1,239,560 | - | | | | | | | (608) | | (608) |
| Economic Development | | | | | | | | | | | | | |
| Authority for Ind. Development | 214,702 | 744 | 77,939 | - | | | | | | | | (136,019) | (136,019) |
| Total Component Units | 7,882,069 | 1,090,129 | 3,780,233 | 192,891 | | | | | | | | | (2,818,816) |
| General Revenues: | | | | | | | | | | | | | |
| Property Taxes | | | | | - | - | - | - | 1,047,093 | - | - | - | 1,047,093 |
| Other Taxes | | | | | - | - | - | - | 546,874 | - | - | - | 546,874 |
| Grants & Contributions Not Restricted to Specific Programs | | | | | - | 47,133 | - | - | 1,702,472 | 109,557 | - | - | 1,859,162 |
| Unrestricted Interest & Investment Earnings | | | | | - | 6,458 | 631 | 3,941 | 62,656 | 9,151 | 535 | 6,839 | 90,211 |
| Miscellaneous | | | | | - | (33,310) | 990 | - | - | 6,245 | - | - | (26,075) |
| Special Item-Gain (Loss) on Sale of Capital Assets | | | | | - | - | - | - | - | - | - | 4,111 | 4,111 |
| Transfers | | | | | - | - | - | - | - | - | - | 139,429 | 139,429 |
| Total General Revenue , Special items and Transfers | | | | | - | 20,281 | 1,621 | 3,941 | 3,359,095 | 124,953 | 535 | 150,379 | 3,660,805 |
| Change in Net Position | | | | | 109,568 | 116,293 | (44,764) | 10,178 | 595,717 | 40,710 | (73) | 14,360 | 841,989 |
| Net Position - July 1, 2023 | | | | | 728,282 | 1,620,692 | 149,309 | 116,751 | (3,385,210) | 44,748 | 3,655 | 83,694 | (638,079) |
| Net Position - June 30, 2024 | | | | | 837,850 | 1,736,985 | 104,545 | 126,929 | (2,789,493) | 85,458 | 3,582 | 98,054 | 203,910 |

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2024. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2023. The Philadelphia Parking Authority and the Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2024.

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

Notes to the Financial Statements
FYE 06/30/2024

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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 (GASB) No. 14 which has been amended by GASB Statements No. 39, No. 61, No. 80, No. 84, No. 85, No. 90, and No. 97. Certain other organizations also met the criteria for inclusion; however, they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.

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

A. BLENDED COMPONENT UNITS

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

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

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, 2023. 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 exists a financial benefit/burden relationship between the SDP and the City, the SDP meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

Community 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 and the CCP Development, LLC, which are discretely presented component units 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 on 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 the non-fiduciary activities of the primary government and its component units. *Governmental activities* which are normally supported by taxes and intergovernmental revenues are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Interfund activity and balances have been eliminated from the statements to avoid duplication.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from services or

privileges provided by a given program and (2) grants and contributions that are restricted to meeting operational or capital requirements of a program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business income and receipts, and net profits and earnings taxes are recognized when the underlying exchange transaction has taken place. Grants 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 including lease liabilities, 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. General capital asset acquisition, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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 on 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 HealthChoices 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 Departmental Custodial Accounts account for funds held in custody by various City Departments.

The City reports on the following major proprietary funds:

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

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

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

5. INVENTORIES

A. PRIMARY GOVERNMENT

Supplies of governmental funds are recorded as expenditures when purchased rather than capitalized as inventory. Accordingly, inventories for governmental funds are shown on the Statement of Net Position but

not on the Governmental Funds Balance Sheet. Inventories of proprietary funds are valued at moving average cost except for the following:

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

B. COMPONENT UNITS

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

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

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., bridges, curbs and gutters, streets and sidewalks and lighting systems), are reported in the applicable governmental or business-type activities columns in the government wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life more than three years (except for the Aviation and Water Funds which use \$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. After adoption of GASB No.89, interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset.

Depreciation on the capital assets for all City funds is provided on the straight-line method over their estimated useful lives: buildings and improvements - 20 to 50 years; equipment and storage facilities - 3 to 25 years; and transmission and distribution lines - 50 years. Leased and software subscription assets are amortized over the shorter of the lease or subscription term or the useful life of the underlying asset.

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, 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 and improvements - 7 to 50 years; equipment, furniture and storage facilities - 3 to 50 years; Utility and Infrastructure improvements - 10 to 30 years; and leased and software subscription assets – term of contract.

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payables are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense and reported in the period incurred.

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

8. INSURANCE

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

9. RECEIVABLES AND PAYABLES

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

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2024 and 2023. 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 26.12% 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. Effective January 1, 2025, the rate will change to \$0.6159 for the City and \$0.7839 for the School District. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES AND NET POSITION

In accordance with Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the City reports deferred outflows of resources in the Statement of Financial Net 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 represent consumption of net asset 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 asset 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 are related to the City's OPEB.

- Deferred inflows of resources are related to the City's leasing activities as a lessor.

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

(Amounts in Thousands of USD)

| Deferred Outflows of Resources | Governmental Activities | Business Type Activities | Component Units |
|--------------------------------|-------------------------|--------------------------|-----------------|
| Derivative Instrument | 5,725 | - | - |
| Deferred Charge on Refunding | 72,521 | 39,974 | 35,898 |
| Deferred Outflow s - Pension | 375,584 | 44,893 | 732,255 |
| Deferred Outflow s - OPEB | 181,823 | 22,243 | 139,404 |
| Total | 635,653 | 107,110 | 907,557 |

(Amounts in Thousands of USD)

| Deferred Inflows of Resources | Governmental Activities | Business Type Activities | Component Units |
|-------------------------------|-------------------------|--------------------------|-----------------|
| Derivative Instrument | - | 261 | 3,162 |
| Deferred Gain on Refunding | 2,015 | 16,311 | 7,876 |
| Deferred Inflow s - Leases | 102,079 | 180,796 | 45,139 |
| Deferred Inflow s - Pension | 74,204 | 7,392 | 113,459 |
| Deferred Inflow s - OPEB | 336,503 | 41,159 | 139,560 |
| Total | 514,801 | 245,920 | 309,196 |

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

(Amounts in Thousands of USD)

| Deferred Inflows of Resources | General Fund | Grants Revenue Fund | Other Governmental Funds |
|--------------------------------|----------------|---------------------|--------------------------|
| Deferred Inflow s - Leases | 28,281 | - | 73,795 |
| Unavailable Tax Revenue | 162,842 | - | 35,708 |
| Unavailable Agency Revenue | 62,505 | - | - |
| Unavailable Government Revenue | 34,895 | 978,899 | 129,666 |
| Total | 288,523 | 978,899 | 239,169 |

11. COMPENSATED ABSENCES

It is the City's policy to allow employees to accumulate earned but unused vacation and sick leave benefits. Vacation is accrued when earned in the government-wide financial statements and in the proprietary and fiduciary-fund financial statements. Sick leave is accrued in the government-wide financial statements and in the proprietary financial statements based on an estimate of future payouts.

12. CLAIMS AND JUDGMENTS

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

13. UNEARNED REVENUE

GASB Statement No.65 prohibits the usage of the term “deferred” on any line items other than deferred inflows or outflows. Therefore, the term “Deferred Revenue” has been replaced by “Unearned Revenue”. Unearned Revenue as reported in all the City’s fund financial statements represents revenue received in advance with the exception of the General Fund. The General Fund reports two types of unearned revenue, Revenue Received in Advance (\$5.9 million) and Business Income and Receipts Tax (BIRT) (\$201.1 million).

14. LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The City is a lessee for various leases of land, buildings, and equipment. The City has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software. As lessee or subscriber, the City recognizes a lease liability or subscription liability and an intangible right-to-use asset in the government-wide financial statements.

At the commencement of a lease or SBITA, the City initially measures the lease liability or subscription at the present value of payments expected to be made during the lease or subscription term. Subsequently, the lease liability or subscription liability is reduced by the principal portion of lease payments made. The lease asset or subscription asset is initially measured as the initial amount of the lease liability or subscription liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. For SBITAs, subscription assets also include qualified software implementation costs. Subsequently, the lease asset or subscription asset is amortized on a straight-line basis over the shorter of the lease or subscription term or the useful life of the underlying asset.

The City determines (1) the discount rate it uses to discount the expected lease or subscription payments to present value, (2) lease or subscription term, and (3) lease or subscription payments.

- The City uses the interest rate stated in the agreement as the discount rate. When the interest rate is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease or subscription term includes the non-cancellable period of the lease or subscription. Lease or subscription payments included in the measurement of the lease liability or subscription liability are composed of fixed payments. For leases, any purchase option price that the City is reasonably certain to exercise is also included in the lease liability.

The City monitors changes in circumstances that would require a remeasurement of a lease or SBITA and will remeasure the lease asset or subscription asset and the liability if certain changes occur that are expected to significantly affect the amount of the lease liability or subscription liability.

Lease assets or subscription assets are reported with other capital assets and lease liabilities or subscription liabilities are reported with long- term debt on the statement of net position.

Lessor: The City is a lessor for various leases of land and buildings. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

15. NEW ACCOUNTING STANDARDS - ADOPTED

In April 2022, **GASB issued Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB

Statements and (2) accounting and financial reporting for financial guarantees. The statement has been adopted for requirements effective for the reporting period. All the applicable changes have been made to the financial statements.

In June 2022, **GASB issued Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62**. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The adoption of this statement had no effect on previously reported amounts.

New Accounting Standards – To Be Adopted:

In June 2022, **GASB issued Statement No. 101, Compensated Absences**. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

In December 2023, **GASB issued Statement No. 102, Certain Risk Disclosures**. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

In April 2024, **GASB issued Statement No. 103, Financial Reporting Model Improvements**. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

In September 2024, **GASB issued Statement No. 104, Disclosure of Certain Capital Assets**. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

The new standards must be adopted as follows:

GASB Statement No. 101 - Effective July 1, 2024 for financial statements for fiscal year ending June 30, 2025.
GASB Statement No. 102 - Effective July 1, 2024 for financial statements for fiscal year ending June 30, 2025.
GASB Statement No. 103 - Effective July 1, 2025 for financial statements for fiscal year ending June 30, 2026.
GASB Statement No. 104 - Effective July 1, 2025 for financial statements for fiscal year ending June 30, 2026.

The effect of these statements has not yet been determined.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

The operating funds of the City, consisting of the General Fund, eleven Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, Health-Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Housing Trust, Acute Care Hospital Assessment, County Demolition, and Transportation 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. Appropriations 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 \$435.2 million.

City Investments

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

As of June 30, 2024, the total investments of the City, as well as both Pension Funds and the Fairmount Park and Free Library Trust Funds, consisted of:

(Amount in Thousands of USD)

| Classification | City (1) | City Trust Funds | PGW Pension Fund | Municipal Pension Fund | Grand Total |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------------|----------------------|
| Short-Term Investment Pools | \$ 721,921 | \$ 1,379 | \$ 13,801 | \$ 578,474 | \$ 1,315,575 |
| Commercial Paper | 1,282,645 | - | - | - | 1,282,645 |
| U.S. Government Securities | 3,355,853 | 113 | 59,463 | 2,367 | 3,417,796 |
| U.S. Government Agency Securities | 855,454 | 203 | 67,416 | 30,574 | 953,647 |
| Municipal/Other Debt | 19,970 | 259 | 245 | 13,706 | 34,180 |
| Foreign Debt | - | - | 11,541 | 1,741 | 13,282 |
| Corporate Bonds | 552,469 | 225 | 62,488 | 371,428 | 986,610 |
| Government Bonds | - | - | - | 442,673 | 442,673 |
| Asset Backed Securities | - | - | - | 28,305 | 28,305 |
| Mortgage Backed Securities | - | - | - | 343,657 | 343,657 |
| Other Bonds and Investments | - | 3,000 | 1,186 | 7,423 | 11,609 |
| Corporate Equities | - | 5,402 | 437,097 | 5,098,729 | 5,541,228 |
| Limited Partnerships | - | - | - | 15,989 | 15,989 |
| Hedge Funds | - | - | - | 30,153 | 30,153 |
| Real Estate | - | - | - | 419,286 | 419,286 |
| Private Equity | - | - | - | 968,301 | 968,301 |
| Grand Total | <u>\$ 6,788,312</u> | <u>\$ 10,581</u> | <u>\$ 653,237</u> | <u>\$ 8,352,806</u> | <u>\$ 15,804,936</u> |

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

The City's investments include all the operating, capital, debt service and debt service reserve accounts of the City's General Fund, Water Department and Aviation Department. 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 Department, 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 (49.44%) or US Government Agency obligations (12.60%) are allowable investments up to 100% of the portfolio.

The City's investment in commercial paper (18.89%) is limited to 30% 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 A2 by Moody's. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (8.14%) is limited to 30% of the portfolio and had an 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 two years, except in Sinking Fund Reserve Portfolios.

In accordance with the PICA Trust Indenture, the City received a transfer of remaining funds from the PICA Debt Service Reserve Fund due to bond maturity. Since these funds were currently invested, the securities were transferred to the City rather than liquidated. The transferred holdings include securities that exceed the two-year maturity limitation of the City's Investment Policy. If the securities were liquidated at the time of transfer, the City would incur a loss. These securities will be held until they can be sold without incurring a loss or otherwise held until maturity.

(Amounts in thousands of USD)

| Classifications | Less than 6 months | 7 to 12 months | 13 to 18 months | 19 to 24 months | Greater than 24 months | Total |
|-----------------------------------|-----------------------|-------------------|--------------------|--------------------|---------------------------|--------------|
| Commercial Paper | \$ 949,754 | \$ 332,891 | \$ - | \$ - | \$ - | \$ 1,282,645 |
| U.S. Government Securities | 1,655,238 | 696,822 | 730,680 | 273,113 | - | 3,355,853 |
| U.S. Government Agency Securities | 301,353 | 316,587 | 59,782 | 177,273 | 459 | 855,454 |
| Municipal Debt | 2,797 | 4,339 | 10,109 | 2,725 | - | 19,970 |
| Corporate Bonds | 83,976 | 261,272 | 91,549 | 115,672 | - | 552,469 |
| Grand Total | \$ 2,993,118 | \$ 1,611,911 | \$ 892,120 | \$ 568,783 | \$ 459 | \$ 6,066,391 |

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, 2024:

- Commercial paper securities of \$1,282.6 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 \$3,355.9 million are valued using quoted prices from active markets (Level 1).
- U.S. Agency securities of \$855.5 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2).
- Municipal Debt/Other securities of \$20.0 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 \$552.5 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 \$721.9 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, 2024:

- Equity Stock securities of \$1.5 million are valued using quoted prices from active markets (Level 1).
- ETF and Mutual funds of \$5.5 million are valued using quoted prices from active markets (Level 1) and quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2).
- U.S. Treasury securities of \$0.1 million, U.S. Agency securities of \$0.2 million, and 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 FY 2024, the Free Library Trust Fund's mutual funds of \$3.0 million are valued at the published net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

B. Blended Component Units

1) PICA

Deposits:

PICA'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. Money market funds with a remaining maturity of one year or less are classified as cash equivalents. At June 30, 2024, PICA's cash deposits consist of \$3.4 million.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, PICA's deposits may not be returned to it. PICA has no policy, other than as noted above, that further limits its custodial credit risk. As of June 30, 2024, PICA's book balance was \$3,361,677 and the bank balance was \$3,362,641. Of the bank balance, \$250,000 was covered by federal depository insurance.

Investments:

As of June 30, 2024, PICA had the following investments:

| | Fair Value | Cost | Maturity Date |
|--------------------|----------------------|----------------------|------------------|
| Money Market Funds | <u>\$ 15,766,451</u> | <u>\$ 15,766,451</u> | less than 1 year |

Credit Risk

PICA's investments in money market funds are rated AAA by S&P.

Interest Rate Risk

PICA does not have a formal investment policy, other than complying with Pennsylvania statutes and trust indentures, 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, 2024. 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 value 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 with unobservable inputs for an asset (or liability) and may require a degree of professional judgment.

PICA's investments in Money Market funds are Level 1 investments and fair value is based on active market quotes.

2) PMA

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. Those limited investments include government obligations, repurchase agreements for government obligations, certificates of deposits, and other time deposit arrangements with financial institutions.

A summary of the investments at June 30, 2024 is as follows:

| | Fair Value | Cost | Maturity Date |
|---------------------|------------|-----------|---------------|
| Money Market Funds* | \$ 62,110 | \$ 62,110 | N/A |

* 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 2012 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 \$3,036,071 on deposit with two local banks as of June 30, 2024. 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, 2024, PMA was not exposed to custodial credit risk.

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.

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.

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 the Fund to participate in securities lending transactions.

3. AMOUNTS HELD BY FISCAL AGENT

Three of the City's component units (**PAID**, **PRA** and Philadelphia Energy Authority (**PEA**)) have issued debt that, in accordance with GASB No. 91, 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 **PRA** Home Repair City Service Agreement Revenue Bonds Series 2018, **PAID** Pension City Service Agreement Refunding Revenue Bonds Series 2021, **PRA** Neighborhood Preservation Initiative City Service Agreement Revenue Bonds Series 2021A & 2023A, **PEA** Street Lighting City Service Agreement Revenue Bonds Series 2023A&B and **PAID** Rebuild City Service Agreement Revenue Bonds Series 2024.

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

Interfund receivable and payable balances among Primary Government funds at year-end are the result of 1) 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; 2) are short term loans to cover temporary cash deficits in funds awaiting grant reimbursements. All balances are expected to be settled during the subsequent year. Interfund receivable and payable balances within the Primary Government at year-end are as follows:

(Amounts in Thousands)

| Interfund Receivables Due to: | | | | | |
|-------------------------------------|------------------|---------------------------------|-------------------|----------------|-------------------|
| | General | Non major Special Revenue | Pension Fund | Other Funds | Total |
| Interfund Payables Due From: | | | | | |
| General | \$ - | \$ 532 | \$ 185,016 | \$ 699 | \$ 186,247 |
| Water & Sewer Fund | - | 16,863 | - | - | 16,863 |
| Non major Special Revenue Funds | 32,726 | - | - | - | 32,726 |
| Total | <u>\$ 32,726</u> | <u>\$ 17,395</u> | <u>\$ 185,016</u> | <u>\$ 699</u> | <u>\$ 235,836</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 | CBH | PRA | PAID | PGW | SDP | PHA | CCP | Timing Difference | Total |
| Payables Due From: | | | | | | | | | | |
| General Fund | \$ - | \$ - | \$ - | \$ 3,232 | \$ 318 | \$ 70,514 | \$ - | \$ - | \$ - | \$ 74,064 |
| Behavioral Health | - | 48,946 | - | - | - | - | - | - | - | 48,946 |
| Grants Revenue | - | - | 200 | - | - | 145 | - | - | - | 345 |
| Capital Improvement | - | - | 106 | 16,786 | - | - | - | - | - | 16,892 |
| Departmental | - | - | - | 163 | - | - | - | - | - | 163 |
| Water Fund | - | - | 29 | 3,501 | 204 | - | - | - | - | 3,734 |
| Aviation Fund | - | - | - | 5,906 | 118 | - | - | - | - | 6,024 |
| PPA | 8,606 | - | - | - | - | - | - | - | 2,785 | 11,391 |
| PAID | 34,745 | - | - | - | - | - | - | - | 10,438 | 45,183 |
| Timing Difference | - | 138,036 | 57,172 | (29,588) | (640) | 50,354 | 1,185 | 3,662 | - | 220,181 |
| Total | <u>\$ 43,351</u> | <u>\$ 186,982</u> | <u>\$ 57,507</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 121,013</u> | <u>\$ 1,185</u> | <u>\$ 3,662</u> | <u>\$ 13,223</u> | <u>\$ 426,923</u> |

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity of the primary government for the year ended June 30, 2024 was as follows:

(Amounts In Millions of USD)

| Governmental Activities: | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------|------------------|---------------------------|
| <u>Capital assets not being depreciated:</u> | | | | |
| Land | 1,014.7 | 124.4 | - | 1,139.1 |
| Fine Arts | 1.0 | 0.2 | - | 1.2 |
| Construction In Progress | 15.5 | 15.7 | (2.6) | 28.6 |
| Development in Progress | - | 8.8 | - | 8.8 |
| Total capital assets not being depreciated | 1,031.2 | 149.1 | (2.6) | 1,177.7 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings | 2,500.3 | 62.4 | (14.8) | 2,547.9 |
| Lease Asset - Building | 691.0 | 37.8 | (1.6) | 727.2 |
| Other Improvements | 422.2 | 14.5 | 0.3 | 437.0 |
| Equipment | 694.8 | 60.1 | (41.4) | 713.5 |
| Lease Asset - Equipment | 3.0 | - | (1.0) | 2.0 |
| Infrastructure | 2,049.0 | 86.6 | (2.1) | 2,133.5 |
| Intangibles | 97.6 | 0.5 | (3.8) | 94.3 |
| Transit | 292.0 | 0.4 | - | 292.4 |
| Subscription Assets | 3.0 | 4.5 | - | 7.5 |
| Total capital assets being depreciated | 6,752.9 | 266.8 | (64.4) | 6,955.3 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings | (1,878.0) | (47.7) | 12.4 | (1,913.3) |
| Lease Asset - Building | (100.0) | (52.0) | 7.1 | (144.9) |
| Other Improvements | (319.0) | (9.7) | (0.2) | (328.9) |
| Equipment | (479.0) | (47.6) | 38.2 | (488.4) |
| Lease Asset - Equipment | (1.0) | (0.7) | 0.3 | (1.4) |
| Infrastructure | (1,491.5) | (51.8) | 0.2 | (1,543.1) |
| Intangibles | (46.9) | (8.8) | 1.7 | (54.0) |
| Transit | (264.4) | (4.7) | - | (269.1) |
| Subscription Assets | (1.0) | (0.6) | - | (1.6) |
| Total accumulated depreciation | (4,580.8) | (223.6) | 59.7 | (4,744.7) |
| Total capital assets being depreciated, net | 2,172.1 | 43.2 | (4.7) | 2,210.6 |
| Governmental activities capital assets, net | 3,203.3 | 192.3 | (7.3) | 3,388.3 |

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Exhibit XIII

| | (Amounts in Millions of USD) | | | |
|--|------------------------------|-----------|-----------|-----------|
| | Beginning | | | Ending |
| Business-Type Activities - Enterprise Funds | Balance | Increases | Decreases | Balance |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land | 243.7 | 7.3 | - | 251.0 |
| Right to use Lease Assets - Land | 11.3 | - | - | 11.3 |
| Construction In Progress | 1,286.8 | 516.8 | (260.5) | 1,543.1 |
| Total capital assets not being depreciated | 1,541.8 | 524.1 | (260.5) | 1,805.4 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings | 4,113.0 | 47.7 | (2.5) | 4,158.2 |
| Right to use Lease Assets - Building | 19.0 | - | (0.4) | 18.6 |
| Other Improvements | 834.2 | 23.2 | - | 857.4 |
| Equipment | 200.1 | 38.3 | (60.4) | 178.0 |
| Right to use Lease Assets - Equipment | 0.3 | - | (0.1) | 0.2 |
| Intangible Assets | 29.6 | 2.8 | - | 32.4 |
| Infrastructure | 4,366.1 | 268.7 | (2.1) | 4,632.7 |
| Total capital assets being depreciated | 9,562.3 | 380.7 | (65.5) | 9,877.5 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings | (2,433.6) | (124.2) | 1.9 | (2,555.9) |
| Right to use Lease Assets - Building | (3.6) | (1.8) | 0.4 | (5.0) |
| Other Improvements | (550.2) | (33.3) | - | (583.5) |
| Equipment | (154.3) | (13.0) | 16.1 | (151.2) |
| Right to use Lease Assets - Equipment | (0.2) | (0.1) | 0.1 | (0.2) |
| Intangible Assets | (20.3) | (2.0) | - | (22.3) |
| Infrastructure | (2,452.7) | (106.7) | 0.1 | (2,559.3) |
| Total accumulated depreciation | (5,614.9) | (281.1) | 18.6 | (5,877.4) |
| Total capital assets being depreciated, net | 3,947.4 | 99.6 | (46.9) | 4,000.1 |
| Business-type activities capital assets, net | 5,489.2 | 623.7 | (307.4) | 5,805.5 |

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

| | | (Amounts in Millions of USD) | |
|----------------------------------|-------|----------------------------------|-------|
| <u>Governmental Activities:</u> | | <u>Business-Type Activities:</u> | |
| Economic Development | 2.0 | Water and Sewer | 162.1 |
| Transportation: | | Aviation | 119.0 |
| Streets & Highways | 61.2 | Total Business Type Activities | 281.1 |
| Mass Transit | 4.0 | | |
| Judiciary and Law Enforcement: | | | |
| Police | 15.3 | | |
| Prisons | 4.5 | | |
| Courts | 0.5 | | |
| Conservation of Health: | | | |
| Health Services | 3.6 | | |
| Cultural and Recreational: | | | |
| Recreation | 12.9 | | |
| Parks | 11.4 | | |
| Libraries and Museums | 5.7 | | |
| Improvements to General Welfare: | | | |
| Social Services | 1.7 | | |
| Inspections and Demolitions | 1.0 | | |
| Service to Property: | | | |
| Fire | 14.8 | | |
| General Management & Support | 85.0 | | |
| Total Governmental Activities | 223.6 | | |

B. DISCRETELY PRESENTED COMPONENT UNITS

The following schedule reflects the combined activity in capital assets for the discretely presented component units for the fiscal year ended June 30, 2024:

| | (Amounts In Millions of USD) | | | | |
|---|------------------------------|------------------|------------------|------------------|---------------------------|
| Governmental Activities: | Beginning Balance | Increases | Deletions | Transfers | Ending Balance |
| <u>Capital assets not being depreciated:</u> | | | | | |
| Land | 142.3 | 0.5 | - | - | 142.8 |
| Construction In Progress | 480.3 | 295.1 | - | (58.6) | 716.8 |
| Development In Progress | 31.3 | - | - | - | 31.3 |
| Total capital assets not being depreciated | 653.9 | 295.6 | - | (58.6) | 890.9 |
| <u>Capital assets being depreciated:</u> | | | | | |
| Buildings | 1,862.9 | 0.7 | - | 22.1 | 1,885.7 |
| Right to Use-Buildings | 4.7 | - | - | - | 4.7 |
| Other Improvements | 1,808.1 | 2.6 | (0.2) | 32.8 | 1,843.3 |
| Intangible Assets | 91.1 | - | (0.1) | - | 91.0 |
| Personal Property | 126.0 | 37.2 | (8.6) | 3.7 | 158.3 |
| Right to Use - Personal Property | 15.1 | - | - | - | 15.1 |
| Subscription Assets | 70.8 | - | (4.4) | - | 66.4 |
| Total capital assets - Depreciated | 3,978.7 | 40.5 | (13.3) | 58.6 | 4,064.5 |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Buildings | (862.2) | (30.0) | - | - | (892.2) |
| Right to Use-Buildings | (2.1) | (1.5) | - | - | (3.6) |
| Other Improvements | (1,133.3) | (56.9) | - | - | (1,190.2) |
| Intangible Assets | (78.9) | (2.5) | 0.1 | - | (81.3) |
| Personal Property | (81.8) | (13.9) | 7.2 | - | (88.5) |
| Right to Use - Personal Property | (3.6) | (1.8) | - | - | (5.4) |
| Subscription Assets | (37.5) | (8.2) | 1.4 | - | (44.3) |
| Total accumulated depreciation | (2,199.4) | (114.8) | 8.7 | - | (2,305.5) |
| Total capital assets being depreciated, net | 1,779.3 | (74.3) | (4.6) | 58.6 | 1,759.0 |
| Governmental Activity - Capital Assets, Net | 2,433.2 | 221.3 | (4.6) | - | 2,649.9 |

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Exhibit XIII

(Amounts in Millions of USD)

| Business-type Activities: | Beginning Balance | Adjustment | Increases | Decreases | Ending Balance |
|--|------------------------------|-------------------|------------------|------------------|---------------------------|
| <u>Capital assets not being depreciated:</u> | | | | | |
| Land | 111.0 | - | 16.0 | (0.1) | 126.9 |
| Fine Arts | 0.9 | - | - | - | 0.9 |
| Construction In Progress | 333.9 | - | 232.5 | (197.2) | 369.2 |
| Total capital assets not being depreciated | 445.8 | - | 248.5 | (197.3) | 497.0 |
| <u>Capital assets being depreciated:</u> | | | | | |
| Buildings | 2,866.8 | - | 126.7 | (419.9) | 2,573.6 |
| Other Improvements | 84.1 | - | 23.4 | - | 107.5 |
| Equipment | 618.0 | - | 16.0 | (4.2) | 629.8 |
| Infrastructure | 2,473.1 | - | 99.6 | (2.3) | 2,570.4 |
| Lease Assets (3) | 208.2 | 51.6 | 7.1 | (30.7) | 236.2 |
| Subscription Assets (2) | 13.2 | 8.7 | 6.3 | (0.8) | 27.4 |
| Total capital assets being depreciated | 6,263.4 | 60.3 | 279.1 | (457.9) | 6,144.9 |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Buildings (1) | (1,664.0) | 33.8 | (69.0) | 399.5 | (1,299.7) |
| Other Improvements | (37.9) | - | (10.5) | - | (48.4) |
| Equipment (1) | (267.4) | (28.7) | (21.7) | 2.8 | (315.0) |
| Infrastructure | (1,157.0) | - | (50.6) | 0.6 | (1,207.0) |
| Lease Assets (1) | (40.2) | (7.7) | (16.1) | 30.4 | (33.6) |
| Subscription Assets (2) | (6.1) | (2.1) | (6.0) | 0.8 | (13.4) |
| Total accumulated depreciation | (3,172.6) | (4.7) | (173.9) | 434.1 | (2,917.1) |
| Total capital assets being depreciated, net | 3,090.8 | 55.6 | 105.2 | (23.8) | 3,227.8 |
| Capital assets, net | 3,536.6 | 55.6 | 353.7 | (221.1) | 3,724.8 |

- (1) PHA re-classed their accumulated depreciation beginning balances for Buildings as Equipment and Lease Assets.
- (2) PPA adjusted their beginning balance for Subscription Assets and Accumulated Depreciation – Subscription Assets due to implementation of GASB 96.
- (3) CBH re-classed their beginning balances for Other Assets as Lease Assets, including accumulated depreciation.

6. NOTES PAYABLE

The Aviation Fund established a commercial paper (CP) program, which commenced 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 enables 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 \$202.8 million in notes outstanding at June 30, 2024.

The Water Fund established a CP program, which commenced on July 29, 2021, in the amount of \$250 million, and expanded to \$400 million on July 28, 2022 to provide funding for capital projects. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia Water Department's CP Program is primarily used to provide up-front cash to take advantage of below market rate of federal and state loan programs that work on a reimbursement basis. The CP Program enables projects to be financed on an as-needed basis; lower the Department'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 loan reimbursements are received from the federal and state programs to pay off the outstanding commercial paper, or long-term bonds are issued to refund the outstanding commercial paper. There were \$30.4 million notes outstanding at June 30, 2024.

(Amounts in Thousands of USD)

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|
| Airport Commercial Paper Notes | \$ 165,343 | \$ 1,419,825 | \$ 1,382,325 | \$ 202,843 |
| Water Commercial Paper Notes | 36,340 | 171,960 | 177,890 | 30,410 |

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 2024, \$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, 2024, HUD had disbursed \$150.0 million in loans to PIDC and the amount of outstanding HUD Section 108 Notes Payable was \$42.1 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.

Scheduled repayments of the HUD Section 108 Notes Payable for the next five years and thereafter as of June 30, 2024 are as follows:

HUD Section 108 Notes Payable, 5 Years and Thereafter

| Fiscal Year Ending June 30, | | |
|-----------------------------|----|-------------------|
| 2025 | \$ | 3,635,000 |
| 2026 | | 3,778,000 |
| 2027 | | 4,073,000 |
| 2028 | | 4,227,000 |
| 2029 | | 4,392,000 |
| Thereafter | | 22,029,000 |
| Total | \$ | <u>42,134,000</u> |

PGW, Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may issue 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. All notes are supported by a Note Purchase and Credit Agreement 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 2024. The commitment amount is \$120.0 million under the current credit agreement. The expiration date of the credit agreements is June 16, 2026.

As of August 31, 2024, there were \$35.0 million of Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) issued and outstanding. Capital Project Note activity for the year ended August 31, 2024 is as follows:

| (Amounts in Thousands of USD) | | | | |
|-------------------------------|-------------------|-----------|------------|----------------|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital Project Notes | \$ - | \$ 35,000 | \$ - | \$ 35,000 |

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, 2024, the statutory limit for the City is \$17.1 billion, the General Obligation Debt, net of deductions authorized by law, is \$2.5 billion; leaving a legal debt borrowing capacity of \$14.6 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:

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Exhibit XIII

Long Term Debt Governmental Changes - Primary Government

(Amounts In Millions of USD)

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activity | | | | | |
| Bonds Payable - General Obligation Bonds | | | | | |
| Term Bonds | 28.6 | - | - | 28.6 | - |
| Refunding Bonds | 841.3 | - | (75.5) | 765.8 | 78.8 |
| Serial Bonds | 862.8 | - | (37.9) | 824.9 | 39.8 |
| Add: Bond Premium | 150.8 | - | (22.0) | 128.8 | - |
| Total Bonds Payable - General Obligation Bonds | 1,883.5 | - | (135.4) | 1,748.1 | 118.6 |
| Bonds Payable - Blended Component Units | | | | | |
| Term Bonds - PMA | 131.9 | - | (5.9) | 126.0 | 6.2 |
| Add: Bond Premium | 0.7 | - | (0.1) | 0.6 | - |
| Total Bonds Payable - Blended Component Units | 132.6 | - | (6.0) | 126.6 | 6.2 |
| Total Bonds Payable | 2,016.1 | - | (141.4) | 1,874.7 | 124.8 |
| Obligations Under Lease & Service Agreements | | | | | |
| Pension Service Agreement | 873.3 | 5.1 | (111.6) | 766.8 | 114.2 |
| Sports Stadium | 167.1 | - | (17.7) | 149.4 | 18.5 |
| Neighborhood Transformation | 112.1 | - | (11.2) | 100.9 | 11.6 |
| Cultural Corridor | 61.1 | - | (5.5) | 55.6 | 5.8 |
| Central Library | 1.6 | - | (0.8) | 0.8 | 0.8 |
| Affordable Housing Preservation | 43.4 | - | (2.2) | 41.2 | 2.3 |
| Home Repair | 34.3 | - | (1.5) | 32.8 | 1.6 |
| Rebuild Project | 67.3 | 91.8 | (3.5) | 155.6 | 7.3 |
| Museum of Art | 8.5 | - | (0.4) | 8.1 | 0.4 |
| One Parkway | 13.6 | - | (3.1) | 10.5 | 3.3 |
| Neighborhood Preservation | 194.4 | - | (4.3) | 190.1 | 7.5 |
| Street Lighting | - | 83.5 | - | 83.5 | 2.5 |
| Add: Bond Premium | 38.8 | 18.4 | (8.1) | 49.1 | - |
| Total Obligations Under Lease & Service Agreements | 1,615.5 | 198.8 | (169.9) | 1,644.4 | 175.8 |
| Other Long-term Liabilities | | | | | |
| Legal Claims | 75.0 | 130.5 | (73.9) | 131.6 | - |
| Worker's Compensation Claims | 271.5 | 113.4 | (93.0) | 291.9 | - |
| Medical Claims | 24.1 | 99.1 | (97.0) | 26.2 | 26.2 |
| Termination Compensation Payable - Vacation Leave | 290.8 | 59.5 | (29.0) | 321.3 | 32.1 |
| Termination Compensation Payable - Sick Leave | 314.0 | 37.8 | (31.4) | 320.4 | 32.0 |
| Arbitrage | - | 6.2 | - | 6.2 | - |
| Leases | 611.0 | 37.8 | (34.3) | 614.5 | 33.4 |
| Subscriptions | 2.3 | 4.4 | (3.2) | 3.5 | 1.1 |
| Total Other Long-term Liabilities | 1,588.7 | 488.7 | (361.8) | 1,715.6 | 124.9 |
| Total Bonds Payable, Obligations Under Lease & Svc Agreements, and OLT | 5,220.3 | 687.5 | (673.1) | 5,234.7 | 425.5 |
| Net Pension and OPEB Liability | | | | | |
| Net Pension Liability | 4,289.0 | 31.1 | (378.1) | 3,942.0 | - |
| OPEB Liability | 1,588.1 | 62.3 | (35.9) | 1,614.5 | 92.1 |
| Total Net Pension and OPEB Liability | 5,877.1 | 93.4 | (414.0) | 5,556.5 | 92.1 |
| Governmental Activity Long-term Liabilities | 11,097.4 | 780.9 | (1,087.1) | 10,791.2 | 517.6 |

In addition, **PMA**, a blended component unit of the City, has debt that is classified on its balance sheet as General Obligation debt payable. The following schedule summarizes the General Obligation Bonds outstanding for the City and PMA:

(Amounts in Millions of USD)

| | | <u>Interest Rates</u> | | | | <u>Principal</u> | | <u>Due Dates</u> | | |
|----------------------------|-------|-----------------------|----|-------|---|------------------|--------|------------------|----|------|
| Governmental Funds: | | | | | | | | | | |
| City | 0.779 | % | to | 5.000 | % | 1,619.3 | Fiscal | 2025 | to | 2042 |
| PMA | 3.250 | % | to | 5.087 | % | <u>126.0</u> | Fiscal | 2025 | to | 2044 |
| | | | | | | <u>1,745.3</u> | | | | |

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Exhibit XIII

- The City has General Obligation Bonds authorized and unissued at year-end of \$913.4 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts in Millions of USD)

| Fiscal Year | City Fund | | Blended Component Units | |
|----------------|--------------|----------|-------------------------|----------|
| | General Fund | | PMA | |
| | Principal | Interest | Principal | Interest |
| 2025 | 118.6 | 69.7 | 6.2 | 5.8 |
| 2026 | 116.6 | 64.3 | 6.5 | 5.5 |
| 2027 | 121.8 | 58.7 | 6.9 | 5.2 |
| 2028 | 127.9 | 53.0 | 7.2 | 4.9 |
| 2029 | 104.0 | 48.0 | 2.1 | 4.5 |
| 2030-2034 | 574.3 | 162.8 | 35.1 | 19.3 |
| 2035-2039 | 372.2 | 60.4 | 44.0 | 10.3 |
| 2040-2044 | 83.9 | 6.7 | 18.0 | 2.4 |
| Totals | 1,619.3 | 523.6 | 126.0 | 57.9 |

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

(Amounts in Millions of USD)

| Fiscal Year | Pension Service Agreement | | Sports Stadium | | Neighborhood Transformation | | Cultural Corridors | |
|----------------|---------------------------|----------|----------------|----------|-----------------------------|----------|--------------------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2025 | 112.4 | 39.8 | 18.5 | 6.6 | 11.6 | 5.0 | 5.8 | 2.6 |
| 2026 | 114.6 | 37.5 | 19.4 | 5.7 | 12.2 | 4.5 | 6.1 | 2.4 |
| 2027 | 122.0 | 31.4 | 20.3 | 4.7 | 14.0 | 3.9 | 6.4 | 2.0 |
| 2028 | 129.1 | 24.3 | 21.2 | 3.8 | 14.6 | 3.1 | 6.7 | 1.7 |
| 2029 | 225.0 | 9.4 | 22.3 | 2.7 | 15.4 | 2.4 | 7.1 | 1.4 |
| 2030-2034 | 27.4 | 9.8 | 47.7 | 2.3 | 33.1 | 2.5 | 23.5 | 1.8 |
| 2035-2039 | 36.3 | 1.2 | - | - | - | - | - | - |
| Totals | 766.8 | 153.4 | 149.4 | 25.8 | 100.9 | 21.4 | 55.6 | 11.9 |

(Amounts in Millions of USD)

| Fiscal Year | Central Library | | Affordable Housing | | Home Repair | | Rebuild Project | |
|----------------|-----------------|----------|--------------------|----------|-------------|----------|-----------------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2025 | 0.8 | - | 2.3 | 2.0 | 1.6 | 1.4 | 7.3 | 7.1 |
| 2026 | - | - | 2.4 | 1.9 | 1.7 | 1.4 | 6.9 | 7.4 |
| 2027 | - | - | 2.6 | 1.8 | 1.7 | 1.3 | 7.3 | 7.1 |
| 2028 | - | - | 2.7 | 1.6 | 1.8 | 1.2 | 7.6 | 6.7 |
| 2029 | - | - | - | 1.6 | 1.9 | 1.2 | - | 6.3 |
| 2030-2034 | - | - | 15.6 | 5.9 | 10.7 | 4.4 | 44.2 | 27.4 |
| 2035-2039 | - | - | 15.6 | 1.6 | 13.4 | 1.6 | 49.7 | 15.2 |
| 2040-2044 | - | - | - | - | - | - | 32.6 | 5.1 |
| Totals | 0.8 | - | 41.2 | 16.4 | 32.8 | 12.5 | 155.6 | 82.3 |

(Amounts in Millions of USD)

| Fiscal Year | Museum of Art | | One Parkway | | Neighborhood Preservation | | Street Lighting | |
|-------------|---------------|----------|-------------|----------|---------------------------|----------|-----------------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2025 | 0.4 | 0.4 | 3.3 | 0.5 | 7.5 | 7.7 | 2.5 | 4.1 |
| 2026 | 0.4 | 0.4 | 3.5 | 0.4 | 7.7 | 7.4 | 2.6 | 4.0 |
| 2027 | 0.5 | 0.4 | 3.7 | 0.2 | 8.0 | 7.2 | 2.8 | 3.9 |
| 2028 | 0.5 | 0.3 | - | - | 8.2 | 7.0 | 2.9 | 3.7 |
| 2029 | 0.5 | 0.3 | - | - | - | 6.8 | 3.1 | 3.5 |
| 2030-2034 | 2.9 | 1.2 | - | - | 46.1 | 29.5 | 17.7 | 15.3 |
| 2035-2039 | 2.9 | 0.4 | - | - | 56.6 | 18.9 | 22.7 | 10.3 |
| 2040-2044 | - | - | - | - | 56.0 | 5.8 | 29.2 | 3.8 |
| Totals | 8.1 | 3.4 | 10.5 | 1.1 | 190.1 | 90.3 | 83.5 | 48.6 |

Pension Service Agreement

In Fiscal 1999, **PAID** issued Pension Funding Bonds Series 1999 in the amount of \$1.3 billion. 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 91, PAID treats this as conduit debt and does not include conduit debt transactions in its financial statements.

In December 2012, **PAID** issued the City Service Agreement Refunding Revenue Bonds Series 2012 in the amount of \$299.8 million. The proceeds of the bonds were used to finance the current refunding of certain maturities of the Pension Funding Bonds Series 1999B, fund interest on the Series 2012 bonds, make a deposit to the City Retirement System, and pay the cost of issuance related to the bonds. Interest on the bonds range from 3.664% to 3.964% and is payable on April 15 and October 15 each year until maturity in 2026.

In March 2021, **PAID** issued City Service Agreement Revenue Refunding Bonds Series 2021 in the amount of \$137.0 million. The proceeds of the bonds were used to finance the refunding of certain maturities of the Pension Funding Bonds Series 1999B, certain maturities of the City Service Agreement Refunding Revenue Bonds Series 2012, fund interest on the Series 2021 bonds, and pay the cost of issuance related to the bonds. Interest on the bonds range from 0.939% to 3.180% and is payable on April 15 and October 15 each year until maturity in 2035. The fiscal year 2024 Pension Service Agreement liability of \$766.8 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Sports Stadium Financing Agreement

In October 2007, **PAID** issued Lease Revenue Refunding Bonds Series 2007B in the amount of \$234.3 million. The proceeds of the bonds were used to finance the advanced refunding of the Sports Stadium Lease Revenue Bonds Series 2001B and pay the cost of issuance related to the bonds. Interest on the bonds is payable monthly until maturity in 2030.

In September 2019, **PAID** issued Lease Revenue Refunding Bonds Series 2019 in the amount of \$147.6 million. The proceeds of the bonds, together with other available funds, were used to finance the refunding of the Sports Stadium Lease Revenue Refunding Bonds Series 2007B-3 and 2014A, pay certain costs of terminating swap agreements, and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on April 1 and October 1 each year until maturity in 2030. The fiscal year 2024 Sports Stadium Service Agreement liability of \$149.4 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Neighborhood Transformation Initiative

In April 2015, **PRA** issued City Service Agreement Revenue Refunding Bonds Series 2015A&B in the amount of \$111.5 million. The proceeds of the bonds, together with other available funds, were used to finance the current refunding of the Neighborhood Transformation Initiative Revenue Refunding Bonds Series 2005B&C and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on April 15 and October 15 each year until maturity in 2031.

In May 2023, **PRA** issued City Service Agreement Revenue Refunding Bonds Series 2023C in the amount of \$24.6 million. The proceeds of the bonds, together with other available funds, were used to finance the current refunding of the Neighborhood Transformation Initiative Revenue Refunding Bonds Series 2012 and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on April 15 and October 15 each year until

maturity in 2026. The fiscal year 2024 Neighborhood Transformation Initiative Service Agreement liability of \$100.9 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Cultural and Commercial Corridors Program

In February 2016, **PAID** issued City Agreement Revenue Refunding Bonds Series 2016A in the amount of \$89.2 million. The proceeds of the bonds were used to finance the advanced refunding of the Cultural and Commercial Corridors Program Revenue Bonds Series 2006A and pay the cost of issuance related to the bonds. Interest on the bonds range from 4.000% to 5.000% and is payable on June 1 and December 1 each year until maturity in 2031. The fiscal year 2024 Cultural and Commercial Corridors Program Service Agreement liability of \$55.6 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Central Library Project

In February 2016, **PAID** issued City Agreement Revenue Refunding Bonds Series 2016B in the amount of \$6.2 million. The proceeds of the bonds were used to finance the current refunding of the Central Library Project Lease Revenue Bonds Series 2005 and pay the cost of issuance related to the bonds. Interest on the bonds range from 3.000% to 4.000% and is payable on June 1 and December 1 each year until maturity in 2024. The fiscal year 2024 Central Library Project Service Agreement liability of \$0.8 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Affordable Housing Preservation Programs Project

In August 2017, **PAID** issued City Service Agreement Revenue Bonds Series 2017 in the amount of \$52.9 million. The proceeds of the bonds were used to finance certain costs of the Affordable Housing Preservation Programs Project and pay the cost of issuance related to the bonds. Interest on the bonds range from 3.000% to 5.000% and is payable on June 1 and December 1 each year until maturity in 2037. The fiscal year 2024 Affordable Housing Preservation Programs Project Service Agreement liability of \$41.2 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Home Repair Program

In October 2018, **PRA** issued City Service Agreement Revenue Bonds Series 2018 in the amount of \$40.0 million. The proceeds of the bonds were used to finance certain costs of the Home Repair Program and pay the cost of issuance related to the bonds. Interest on the bonds range from 3.171% to 4.634% and is payable on May 1 and November 1 each year until maturity in 2038. The fiscal year 2024 Home Repair Service Agreement liability of \$32.8 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Rebuild Project

In November 2018, **PAID** issued City Service Agreement Revenue Bonds Series 2018 in the amount of \$79.5 million. The proceeds of the bonds were used to finance certain costs of the Rebuild Project and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on May 1 and November 1 each year until maturity in 2038.

In June 2024, **PAID** issued City Service Agreement Revenue Bonds Series 2024 in the amount of \$91.8 million. The total proceeds were \$101.3 million (which includes a premium of \$9.5 million). The proceeds of the bonds were used to finance certain costs of the Rebuild Project and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on May 1 and November 1 each year until maturity in 2044. The fiscal year 2024 Rebuild Project Service Agreement liability of \$155.6 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Museum of Art Energy Savings Project

In April 2018, **PAID** issued City Agreement Revenue Bonds Series 2018A in the amount of \$10.3 million. The proceeds of the bonds were used to finance certain costs of the Museum of Art Energy Savings Project and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on February 15 and August 15 each year until maturity in 2038. The fiscal year 2024 Museum of Art Energy Savings Project Service Agreement liability of \$8.1 million is reflected in the City's financial statements as Other Long-Term Liabilities.

One Benjamin Franklin Parkway Project

In April 2018, **PAID** issued City Agreement Revenue Refunding Bonds Series 2018B in the amount of \$27.6 million. The proceeds of the bonds were used to finance the refunding of the One Benjamin Franklin Parkway Project Lease Revenue Refunding Bonds Series 2007C and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on February 15 and August 15 each year until maturity in 2027. The fiscal year 2024 One Benjamin Franklin Parkway Project Service Agreement liability of \$10.5 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Neighborhood Preservation Initiative

In October 2021, **PRA** issued City Service Agreement Revenue Bonds Series 2021A&B in the amount of \$98.6 million. The proceeds of the bonds were used to finance certain costs of the Neighborhood Preservation Initiative (NPI) and pay the cost of issuance related to the bonds. Interest on the bonds range from 0.468% to 5.000% and is payable on March 1 and September 1 each year until maturity in 2041.

In May 2023, **PRA** issued City Service Agreement Revenue Bonds Series 2023A&B in the amount of \$99.5 million. The proceeds of the bonds were used to finance certain costs of the Neighborhood Preservation Initiative and pay the cost of issuance related to the bonds. Interest on the bonds range from 4.719% to 5.590% and is payable on March 1 and September 1 each year until maturity in 2043. The fiscal year 2024 NPI Service Agreement liability of \$190.1 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Street Lighting Improvement Project

In August 2023, **PEA** issued City Service Agreement Revenue Bonds Series 2023 A&B in the amount of \$83.5 million. The total proceeds were \$92.4 million (which includes a premium of \$8.9 million). The proceeds of the bonds were used to finance certain costs of the Street Lighting Improvement Project and pay the cost of issuance related to the bonds. Interest on the bonds range from 5.000% to 5.587% and is payable on May 1 and November 1 each year until maturity in 2043. The fiscal year 2024 Street Lighting Project Service Agreement liability of \$83.5 million is reflected in the City's financial statements as Other Long-Term Liabilities.

(2) Business Type Debt Payable

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

Long Term Debt Business Changes - Business Type

(Amounts In Millions of USD)

| Business-Type Activity | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|-------------------|--------------|----------------|----------------|---------------------|
| Bonds Payable | | | | | |
| Revenue Bonds | 4,080.5 | 643.6 | (245.8) | 4,478.3 | 175.7 |
| Notes from Direct Placement & Direct Borrowing | 112.9 | - | (2.7) | 110.2 | 110.2 |
| Add: Bond Premium | 444.3 | 37.1 | (39.9) | 441.5 | - |
| Total Bonds Payable | 4,637.7 | 680.7 | (288.4) | 5,030.0 | 285.9 |
| Other Long Term Liabilities | | | | | |
| Legal Claims | 9.4 | 5.9 | (7.0) | 8.3 | - |
| Worker's Compensation Claims | 30.2 | 10.0 | (7.7) | 32.5 | - |
| Termination Compensation Payable - Vacation Leave | 26.8 | 4.7 | (2.6) | 28.9 | 2.9 |
| Termination Compensation Payable - Sick Leave | 17.7 | 1.7 | (1.8) | 17.6 | 1.8 |
| Arbitrage | 2.4 | 10.6 | - | 13.0 | - |
| Leases | 27.1 | - | (2.0) | 25.1 | 1.8 |
| Total Other Long Term Liabilities | 113.6 | 32.9 | (21.1) | 125.4 | 6.5 |
| Total Bonds Payable & Other Long Term Liabilities | 4,751.3 | 713.6 | (309.5) | 5,155.4 | 292.4 |
| Net Pension and OPEB Liability | | | | | |
| Net Pension Liability | 515.6 | 3.9 | (49.1) | 470.4 | - |
| Net OPEB Liability | 196.9 | 8.1 | (4.7) | 200.3 | 11.4 |
| Total Net Pension and OPEB Liability | 712.5 | 12.0 | (53.8) | 670.7 | 11.4 |
| Business-Type Activity Long-term Liabilities | 5,463.8 | 725.6 | (363.3) | 5,826.1 | 303.8 |

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 million 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:

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Exhibit XIII

(Amounts in Millions of USD)

| | <u>Interest Rates</u> | | | | <u>Principal</u> | | <u>Due Dates</u> | | | |
|----------------------------|-----------------------|---|----|-------|------------------|---------|------------------|------|----|------|
| Water Fund | 0.709 | % | to | 5.500 | % | 3,153.0 | Fiscal | 2025 | to | 2055 |
| Aviation Fund | 1.513 | % | to | 5.000 | % | 1,435.5 | Fiscal | 2025 | to | 2052 |
| Total Revenue Debt Payable | | | | | <u>4,588.5</u> | | | | | |

- In September 2023, the City issued \$564.8 million in Water and Wastewater Revenue Bonds Series 2023B. The total proceeds were \$601.9 million (which includes a premium of \$37.1 million). The proceeds of the bonds were used to finance capital improvements to the City's Water and Wastewater Systems, a deposit to the Debt Reserve Account of the Sinking Fund, the advanced refunding of Water and Wastewater Revenue Bonds Series 2019A and 2020B and pay the cost of issuance related to the bonds. Interest on the bonds range from 4.500% to 5.500% and is payable on March 1 and September 1 each year until maturity in 2053. The aggregate difference in debt service between the refunding debt and the refunded debt is \$4.51 million resulting in a net economic gain of \$3.25 million.
- The City of Philadelphia - Water Department received approval from the Pennsylvania Infrastructure Investment Authority (PENNVEST) for the funding of sewer, storm water and drinking water projects totaling \$586.5 million. During fiscal year 2024, PENNVEST drawdowns totaled \$65.0 million. The funding is through low interest loans of 1.000% 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 1.000% to 2.107% for the remaining years. Individual loan information is as follows:

(Amounts in Millions of USD)

| <u>Date</u> | <u>Series</u> | <u>Maximum Loan Amount</u> | <u>Amount Received Through 6/30/2024</u> | <u>Current Balance Outstanding 6/30/2024</u> | <u>Purpose</u> |
|-------------|---------------|------------------------------------|--|--|--------------------------------|
| Oct 2009 | 2009B | 42.9 | 31.2 | 11.9 | Water Plant Improvements |
| Oct 2009 | 2009C | 57.3 | 49.2 | 20.4 | Water Main Replacements |
| Mar 2010 | 2009D | 84.8 | 75.7 | 31.2 | Sewer Projects |
| Jul 2010 | 2010B | 30.0 | 30.0 | 15.3 | Green Infrastructure Project |
| Feb 2021 | 2021A | 80.8 | 34.2 | 32.1 | Torresdale Pump Station |
| Oct 2021 | 2021D | 5.8 | 5.0 | 5.0 | Lawncrest SW Stormwater |
| Apr 2022 | 2022A | 16.3 | 10.3 | 10.3 | Flat Rock Dam Manayunk Canal |
| Jul 2022 | 2022B | 35.9 | 28.7 | 28.7 | Linear Assets Line Replacement |
| Sep 2022 | 2022D | 106.9 | 34.6 | 34.6 | Pretreatment Facility |
| Oct 2022 | 2022E | 8.2 | 6.8 | 6.8 | GSI Packer Park |
| Oct 2022 | 2022F | 7.5 | 5.2 | 5.2 | GSI Saunders Park |
| Jun 2023 | 2023A | 110.1 | 10.7 | 10.7 | Baxter Clean Water Basin |
| Totals | | <u>586.5</u> | <u>321.6</u> | <u>212.2</u> | |

- In January 2023, the City of Philadelphia - Water Department entered into an agreement with the U.S. Environmental Protection Agency to fund eligible water and wastewater infrastructure projects promulgated under the Water Infrastructure Finance and Innovation Act (WIFIA). The award, totaling up to \$341.6 million, will be used to fund upgrades to the City's drinking water treatment and supply facilities through low interest loans. During fiscal year 2024, WIFIA drawdowns totaled \$13.8 million. Individual loan information is as follows:

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Exhibit XIII

| <u>Date</u> | <u>Series</u> | <u>Maximum Loan Amount</u> | <u>Amount Received Through 6/30/2024</u> | <u>Current Balance Outstanding 6/30/2024</u> | <u>Purpose</u> |
|-------------|---------------|------------------------------------|--|--|-------------------------------------|
| Feb 2024 | 2023 | 19.8 | 13.8 | 13.8 | Water Distribution Main Replacement |

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

| <u>Fiscal Year</u> | <u>Water Fund</u> | | <u>Aviation Fund</u> | | <u>Notes from Direct Placement</u> | |
|------------------------|-------------------|-----------------|----------------------|-----------------|------------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2025 | 93.0 | 138.1 | 82.7 | 61.1 | 110.2 | 1.7 |
| 2026 | 104.1 | 133.8 | 77.6 | 57.2 | - | - |
| 2027 | 116.2 | 129.2 | 82.5 | 53.2 | - | - |
| 2028 | 101.9 | 124.9 | 86.7 | 49.0 | - | - |
| 2029 | 95.2 | 121.2 | 83.9 | 44.7 | - | - |
| 2030-2034 | 484.1 | 544.3 | 236.3 | 184.4 | - | - |
| 2035-2039 | 515.0 | 439.1 | 240.7 | 126.7 | - | - |
| 2040-2044 | 606.8 | 318.6 | 196.4 | 77.6 | - | - |
| 2045-2049 | 539.8 | 188.3 | 196.7 | 30.5 | - | - |
| 2050-2054 | 475.5 | 61.9 | 41.8 | 2.8 | - | - |
| 2055-2059 | 21.4 | 0.5 | - | - | - | - |
| Totals | 3,153.0 | 2,199.9 | 1,325.3 | 687.2 | 110.2 | 1.7 |

(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)

Enterprise Funds:

| | |
|--------------------------|--------------|
| Water Fund Revenue Bonds | 423.2 |
| | <u>423.2</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 may borrow funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City did not borrow Tax Revenue Anticipation Notes in Fiscal Year 2024. In accordance with statute, there are no temporary loans outstanding at year-end.

(5) Arbitrage Liability

The City has several series of General Obligation and Revenue Bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. At June 30, 2024, the City had an arbitrage liability of \$6.2 million and \$13.0 million attributable to Governmental and Business-Type Activities, respectively.

(6) Derivative Instruments

The City adopted the provisions of 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, 2024, classified by type, and the changes in fair value of such derivatives are as follows:

(Amounts in thousands of USD)

| Governmental Activities | Changes in Fair Value | | Fair Value at June 30, 2024 | | |
|----------------------------------|-----------------------|--------|-----------------------------|---------|----------|
| | Classification | Amount | Classification | Amount | Notional |
| Cash Flow Hedges: | | | | | |
| Pay fixed interest rate swaps | Deferred Outflow | (850) | Debt | (4,261) | 100,000 |
| | Deferred Outflow | (302) | Debt | (1,098) | 34,934 |
| | Deferred Outflow | (100) | Debt | (366) | 11,641 |
| Business Type Activities: | | | | | |
| Cash Flow Hedges: | | | | | |
| Pay fixed interest rate swaps | Deferred Inflow | 404 | Debt | 261 | 15,800 |

The following table displays the objective and terms of the City's hedging derivative instruments outstanding on June 30, 2024, along with the credit rating of the associated counterparty.

| | | |
|---------------------------|----------------------|----------------------------------|
| City Entity: | City GO | Airport |
| Related Bond Series | 2009B ⁽¹⁾ | 2005C Refunding |
| Initial Notional Amount | \$313,505,000 | \$189,500,000 |
| Current Notional Amount | \$100,000,000 | \$15,800,000 |
| Termination Date | 8/1/2031 | 6/15/2025 |
| Product | Fixed Payer Sw ap | Fixed Payer Sw ap ⁽²⁾ |
| 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 (M/S) | Aa2/AA- | Aa2/A+ |
| Fair Value ⁽³⁾ | (\$4,260,789) | \$260,924 |

- On 7/28/2009, the City terminated a portion of the swap in the amount of \$213,505,000 in conjunction with the refunding of its Series 2007B bond with the Series 2009A fixed rate bonds. The City made a termination payment of \$15,450,000 to RBC.
- 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%.
- 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 Royal Bank of Canada (RBC).

Terms: The swap was originally executed with 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, 2024, 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, 2024, the swap had a negative fair value of \$4.261 million. A negative value (mark-to-market) means that the City would owe a payment if the swap is terminated. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2024, 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 counterparty credit risk in the amount of the swap's mark-to-market 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, 2024, 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 -3.44800% |
| Net interest rate swap payments | 0.38100% |
| Variable rate bond coupon payments | Weekly reset 3.42300% |
| Synthetic interest rate on bonds | 3.80400% |

Swap payments and associated debt: As of June 30, 2024, 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</u> | <u>Variable Rate Bonds</u> | | <u>Interest Rate</u> | |
|--------------------|----------------------------|----------------------|----------------------|-----------------------|
| <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Swaps Net</u> | <u>Total Interest</u> |
| <u>June 30</u> | | | | |
| 2025 | \$ - | \$ 3,423,000 | \$ 381,000 | \$ 3,804,000 |
| 2026 | - | 3,423,000 | 381,000 | 3,804,000 |
| 2027 | - | 3,423,000 | 381,000 | 3,804,000 |
| 2028 | 30,535,000 | 3,423,000 | 381,000 | 3,804,000 |
| 2029 | 16,340,000 | 2,377,787 | 264,662 | 2,642,449 |
| 2030-2034 | 53,125,000 | 3,685,031 | 410,166 | 4,095,197 |
| Total: | <u>\$ 100,000,000</u> | <u>\$ 19,754,818</u> | <u>\$ 2,198,828</u> | <u>\$ 21,953,646</u> |

b. Philadelphia Airport Swap

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

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

As of June 30, 2024, the swap had a notional amount of \$15.8 million and the associated variable-rate bonds had a \$15.8 million principal amount. The bonds' variable-rate coupons are based on SIFMA-based index. 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, 2024, the swap had a fair value of \$0.261 million. A positive value (mark-to-market) means that the City would be owed a payment if the swap is terminated. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2024, the Airport was exposed to counterparty credit risk in the amount of the swap's mark-to-market value. Because the bonds and swap both reset at a rate linked to SIFMA, the Airport is not subject to basis risk. 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, 2024, the rates were:

| Term | Rates |
|---|-----------------------|
| Interest Rate Swap | |
| Fixed payment to JP Morgan under swap | Fixed 1.95800% |
| Variable rate payment from JP Morgan under swap | SIFMA -3.47750% |
| Net interest rate swap payments | -1.51950% |
| Variable rate bond coupon payments | Weekly reset 3.75400% |
| Synthetic interest rate on bonds | 2.23450% |

Swap payments and associated debt: As of June 30, 2024, 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 | Variable Rate Bonds | | Interest Rate | |
|-------------|----------------------|-------------------|---------------------|-------------------|
| Ending | Principal | Interest | Swaps Net | Total Interest |
| June 30 | | | | |
| 2025 | \$ 15,800,000 | \$ 593,132 | \$ (288,155) | \$ 304,977 |
| Total: | <u>\$ 15,800,000</u> | <u>\$ 593,132</u> | <u>\$ (288,155)</u> | <u>\$ 304,977</u> |

c. PAID 2007B Swaps

| City Entity: | City Lease PAID | City Lease PAID |
|---------------------------|----------------------------------|--------------------------------------|
| Related Bond Series | 2007B-2 (Stadium) ⁽¹⁾ | 2007B-2 (Stadium) ⁽²⁾ |
| Initial Notional Amount | \$217,275,000 | \$72,400,000 |
| Current Notional Amount | \$34,934,341 | \$11,640,659 |
| Termination Date | 10/1/2030 | 10/1/2030 |
| Product | Fixed Payer Sw ap | Fixed Payer Sw ap |
| Rate Paid by Dealer | SIFMA | SIFMA |
| Rate Paid by City Entity | 3.971% | 3.971% |
| Dealer | JPMorgan Chase Bank, N.A. | Merrill Lynch Capital Services, Inc. |
| Dealer Rating (MS) | Aa2/A+ | A2/A- |
| Fair Value ⁽³⁾ | (\$1,098,494) | (\$366,057) |

- July 15, 2014, **PAID** terminated a portion of the swap in the amount of \$41,555,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. **PAID** made a termination payment of \$4,171,000 to JPMorgan. On September 11, 2019, **PAID** terminated a portion of the swap in the amount of \$33,455,654 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 bonds. **PAID** made a termination payment of \$6,051,000 to JPMorgan.
- On July 15, 2014, **PAID** terminated a portion of the swap in the amount of \$13,840,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. **PAID** made a termination payment of \$1,391,800 to Merrill Lynch. On September 11, 2019, **PAID** terminated a portion of the swap in the amount of \$11,149,346 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 bonds. **PAID** made a termination payment of \$1,998,000 to Merrill Lynch.
- Fair values are shown from the City's perspective and include accrued interest.

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

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

In May 2014, **PAID** fully refunded the 2007B-1 bonds with the 2014A bonds, a directly purchased note. The 2014As pay interest on a LIBOR-linked index. Concurrently, the two swaps were amended such that the floating rate index on the portions allocable to the 2007B-1 bonds were converted from SIFMA to the same LIBOR-based index as the 2014A bonds. One of the LIBOR-based swaps, with a notional amount of \$87.96 million, was documented under a separate trade confirmation with JP Morgan Chase Bank. The other LIBOR-based swap, with a notional amount of \$29.31 million, was documented under a separate trade confirmation with Merrill Lynch Capital Services, Inc. Under the LIBOR-based swaps, **PAID** paid a fixed rate of 3.62% and 3.632% (to JPMorgan and Merrill Lynch, respectively), and received 70% of 1-month LIBOR. The payments were 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, 2024, the swaps together had a notional amount of \$46.575 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, 2024, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of \$1.098 million, and the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of \$0.366 million. Negative values (mark-to-market) mean that the City would owe payments if the swaps are terminated. 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, 2024, **PAID** was not exposed to counterparty 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 counterparty credit risk in the amount of the swaps' mark-to-market 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 Assured Guaranty Municipal Corp (formerly FGIC).

As of June 30, 2024, the rates for the JPMorgan SIFMA-based swap were:

| <u>Term</u> | <u>Rates</u> | |
|---|--------------|-----------|
| Interest Rate Swap | | |
| Fixed payment to JP Morgan under swap | Fixed | 3.97130% |
| Variable rate payment from JP Morgan under swap | SIFMA | -3.45429% |
| Net interest rate swap payments | | 0.51701% |
| Variable rate bond coupon payments | Weekly reset | 3.50800% |
| Synthetic interest rate on bonds | | 4.02501% |

As of June 30, 2024, the rates for the Merrill Lynch SIFMA-based swap were:

| <u>Term</u> | <u>Rates</u> | |
|--|--------------|-----------|
| Interest Rate Swap | | |
| Fixed payment to MLCS under swap | Fixed | 3.97130% |
| Variable rate payment from MLCS under swap | SIFMA | -3.44800% |
| Net interest rate swap payments | | 0.52330% |
| Variable rate bond coupon payments | Weekly reset | 3.50800% |
| Synthetic interest rate on bonds | | 4.03130% |

Swap payments and associated debt: As of June 30, 2024, 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:

JP Morgan

| <u>Fiscal Year</u> | <u>Variable Rate Bonds</u> | | <u>Interest Rate</u> | |
|--------------------|----------------------------|---------------------|----------------------|-----------------------|
| <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Swaps Net</u> | <u>Total Interest</u> |
| <u>June 30</u> | | | | |
| 2025 | \$ 4,384,136 | \$ 1,225,497 | \$ 180,614 | \$ 1,406,111 |
| 2026 | 4,575,773 | 1,071,701 | 157,948 | 1,229,649 |
| 2027 | 4,770,773 | 911,183 | 134,290 | 1,045,473 |
| 2028 | 4,972,886 | 743,824 | 109,625 | 853,449 |
| 2029 | 5,186,637 | 569,376 | 83,915 | 653,291 |
| 2030-2034 | 11,044,136 | 585,175 | 86,243 | 671,418 |
| Total: | <u>\$ 34,934,341</u> | <u>\$ 5,106,756</u> | <u>\$ 752,635</u> | <u>\$ 5,859,391</u> |

Merrill Lynch

| <u>Fiscal Year</u> | <u>Variable Rate Bonds</u> | | <u>Interest Rate</u> | |
|--------------------|----------------------------|---------------------|----------------------|-----------------------|
| <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Swaps Net</u> | <u>Total Interest</u> |
| <u>June 30</u> | | | | |
| 2025 | \$ 1,460,864 | \$ 408,354 | \$ 60,916 | \$ 469,270 |
| 2026 | 1,524,227 | 357,107 | 53,271 | 410,378 |
| 2027 | 1,589,227 | 303,637 | 45,295 | 348,932 |
| 2028 | 1,657,114 | 247,887 | 36,978 | 284,865 |
| 2029 | 1,728,363 | 189,756 | 28,306 | 218,062 |
| 2030-2034 | 3,680,864 | 195,004 | 29,089 | 224,093 |
| Total: | <u>\$ 11,640,659</u> | <u>\$ 1,701,745</u> | <u>\$ 253,855</u> | <u>\$ 1,955,600</u> |

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 \$3,265.5 million in principal, with interest rates from 2.716% to 6.765% and have due dates from 2025 to 2049. The following schedule reflects the changes in long-term liabilities for the **SDP**:

| LONG-TERM OBLIGATIONS (1) | | | | | |
|--|-------------------------|-----------|------------|--------------------------|------------------------|
| (Dollars in Millions) | | | | | |
| | Balance July 1, 2023 | Additions | Reductions | Balance June 30, 2024 | Due Within One Year |
| Governmental Activities: | | | | | |
| General Obligation Bonds/Lease Rental | | | | | |
| General Obligation Bonds | \$ 2,226.7 | \$ 342.7 | \$ (117.1) | \$ 2,452.3 | \$ 121.0 |
| SPSBA-Lease Rental | 862.9 | - | (49.7) | 813.2 | 52.6 |
| Bond Premium | | | | | |
| General Obligation Bonds | 150.7 | 10.0 | (20.6) | 140.1 | 18.7 |
| SPSBA-Lease Rental | 40.3 | - | (6.6) | 33.7 | 5.9 |
| Unamortized Bond Discounts | (0.6) | (0.6) | 0.1 | (1.1) | (0.1) |
| Total Bonded Debt | 3,280.0 | 352.1 | (193.9) | 3,438.2 | 198.1 |
| Compensated Absences | 208.9 | 23.4 | (18.3) | 214.0 | 15.9 |
| Lease Obligations | 14.4 | - | (3.2) | 11.2 | 4.2 |
| SBITA Obligations | 35.8 | - | (10.7) | 25.1 | 9.9 |
| Due to Other Governments | | | | | |
| -Deferred Reimbursement | 45.3 | - | - | 45.3 | 45.3 |
| Other Liabilities (2) | 118.2 | 42.9 | (36.1) | 125.0 | 40.2 |
| Incurred But Not Received (IBNR) Payable (3) | 21.4 | 0.5 | - | 21.9 | 21.8 |
| Arbitrage Liability | - | 0.9 | - | 0.9 | 0.3 |
| OPEB Life Insurance Liability | 16.8 | 0.7 | (0.8) | 16.7 | 1.2 |
| PSERS OPEB Liability | 144.4 | 8.5 | (9.1) | 143.8 | - |
| PSERS Pension Liability | 3,479.1 | 460.2 | (413.7) | 3,525.6 | - |
| Governmental Activity-Long-Term Liabilities | \$ 7,364.3 | \$ 889.2 | \$ (685.8) | \$ 7,567.7 | \$ 336.9 |
| Business-Type Activities: | | | | | |
| Compensated Absences | 1.9 | 0.1 | - | 2.0 | - |
| Lease Obligations | 0.7 | - | (0.1) | 0.6 | 0.3 |
| PSERS OPEB Liability | 2.3 | 0.1 | (0.1) | 2.3 | - |
| PSERS Pension Liability | 51.8 | 8.4 | (7.5) | 52.7 | - |
| Business-Type Activity-Long-Term Liabilities | \$ 56.7 | \$ 8.6 | \$ (7.7) | \$ 57.6 | \$ 0.3 |

Notes:

- Long-term obligations include compensated absences, unemployment, workers' compensation and claims and judgments liabilities that 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.
- Other liabilities reported on the financial statements under long-term obligations include workers' compensation, unemployment liabilities, claims & judgments, and arbitrage liabilities.
- 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, 2024 is summarized as follows:
(Excludes debt issued through the State Public School Building Authority)

| <u>Governmental Activities</u> <u>(Dollars in Thousands)</u> | | | | |
|---|---------------------------|---------------------|---------------------|---------------------|
| <u>Year Ending June 30</u> | <u>Interest Rates</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2025 | 3.000 - 6.209 | \$ 120,975 | \$ 121,187 | \$ 242,162 |
| 2026 | 3.000 - 6.615 | 127,580 | 114,968 | 242,548 |
| 2027 | 3.000 - 6.615 | 122,020 | 109,091 | 231,111 |
| 2028 | 3.000 - 6.615 | 122,755 | 102,081 | 224,836 |
| 2029 | 3.000 - 6.615 | 122,765 | 95,869 | 218,634 |
| 2030 - 2034 | 3.000 - 6.765 | 657,770 | 370,080 | 1,027,850 |
| 2035- 2039 | 3.000 - 6.765 | 445,725 | 232,989 | 678,714 |
| 2040 - 2044 | 3.000 - 6.765 | 536,075 | 119,474 | 655,549 |
| 2045 - 2049 | 3.000 - 5.500 | 196,645 | 19,569 | 216,214 |
| Total | | <u>\$ 2,452,310</u> | <u>\$ 1,285,308</u> | <u>\$ 3,737,618</u> |

Debt service to maturity on debt issued through the State Public School Building Authority on June 30, 2024, is summarized as follows:

| <u>Governmental Activities</u> <u>(Dollars in Thousands)</u> | | | | |
|---|---------------------------|-------------------|-------------------|---------------------|
| <u>Year Ending June 30</u> | <u>Interest Rates</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2025 | 2.754 - 5.500 | \$ 52,580 | 37,928 | \$ 90,508 |
| 2026 | 2.854 - 5.500 | 54,160 | 35,678 | 89,838 |
| 2027 | 2.966 - 5.500 | 65,955 | 33,342 | 99,297 |
| 2028 | 3.046 - 5.500 | 73,735 | 30,406 | 104,141 |
| 2029 | 3.096 - 5.000 | 77,935 | 26,861 | 104,796 |
| 2030 - 2034 | 3.096 - 5.000 | 458,045 | 69,565 | 527,610 |
| 2035- 2039 | 5.000 | 30,830 | 2,247 | 33,077 |
| Total | | <u>\$ 813,240</u> | <u>\$ 236,027</u> | <u>\$ 1,049,267</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)

| <u>Entity</u> | <u>Interest Rates</u> | <u>Principal</u> | <u>Due Dates</u> |
|----------------------------|-----------------------|------------------|---------------------|
| PGW | 2.00% to 5.00% | 882,995 | Fiscal 2025 to 2050 |
| PPA | 2.58% to 5.25% | 26,682 | Fiscal 2025 to 2030 |
| CCP | 2.00% to 5.00% | 55,265 | Fiscal 2025 to 2040 |
| PHA | 3.00% to 5.00% | 26,110 | Fiscal 2025 to 2047 |
| Total Revenue Debt Payable | | <u>991,052</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 |
| 2025 | 56.5 | 41.0 | 3.4 | 0.9 | 6.6 | 2.4 | 0.6 | 1.2 |
| 2026 | 59.0 | 38.4 | 3.5 | 0.8 | 6.0 | 2.0 | 0.7 | 1.1 |
| 2027 | 59.8 | 35.7 | 3.6 | 0.6 | 6.3 | 1.7 | 0.7 | 1.1 |
| 2028 | 62.6 | 33.0 | 2.9 | 0.5 | 7.6 | 1.4 | 0.7 | 1.1 |
| 2029 | 36.4 | 30.1 | 2.2 | 0.4 | 2.1 | 1.1 | 0.8 | 1.0 |
| 2030-2034 | 186.1 | 122.3 | 11.1 | 0.3 | 12.0 | 4.2 | 4.3 | 4.7 |
| 2035-2039 | 189.8 | 77.4 | - | - | 13.4 | 1.5 | 5.2 | 3.8 |
| 2040-2044 | 118.5 | 44.0 | - | - | 1.3 | - | 6.5 | 2.5 |
| 2045-2049 | 101.7 | 16.3 | - | - | - | - | 6.6 | 0.7 |
| 2050-2054 | 12.6 | 0.6 | - | - | - | - | - | - |
| Totals | 883.0 | 438.8 | 26.7 | 3.5 | 55.3 | 14.3 | 26.1 | 17.2 |

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2024.

‡ - PHA amounts are presented as of March 31, 2024.

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

(3) Defeased Debt

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

(Amounts in Millions)

| | |
|---------------------------------|---------------|
| School District of Philadelphia | \$ 0.9 |
| Total | <u>\$ 0.9</u> |

As in prior years, **SDP** 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, 2024, \$0.9 million of bonds outstanding are defeased and the liability has been removed from long-term liabilities related to Sale of District property.

(4) Derivative Instruments

a. PGW Interest Rate Swap Agreement

Objective – In January 2006, the City entered into a fixed rate pay or floating rate receiver interest rate swap to create a synthetic fixed rate for the Sixth Series Bonds. The interest rate swap was used to hedge interest rate risk.

Terms – The swap had an original termination date of August 1, 2031, which was subsequently amended to August 1, 2028. The swaps require the City to pay a fixed rate of 3.6745% and receive a variable rate equal to 70.0% of one-month Secured Overnight Financing Rate (SOFR) plus 0.0801% until maturity.

In August 2016, the underlying variable rate bonds maturing in FY2017 through FY2023 were refunded with fixed rate bonds and the related portions of the swaps, totaling \$102.7 million in notional amount, were terminated. PGW made a termination payment of \$13.9 million to fund this partial termination of the swaps which is included in unamortized loss on bond refunding on the Company's balance sheet.

As of August 31, 2024, the swaps had a notional amount of \$101.6 million and the associated variable rate debt had a \$101.6 million principal amount, broken down by series as follows:

- The Series B swap had a notional amount of \$22.7 million and the associated variable rate bonds had a \$22.7 million principal amount.
- The Series C swap had a notional amount of \$22.5 million and the associated variable rate bonds had a \$22.5 million principal amount.
- The Series D swap had a notional amount of \$33.8 million and the associated variable rate bonds had a \$33.8 million principal amount.
- The Series E swap had a notional amount of \$22.7 million and the associated variable rate bonds had a \$22.7 million principal amount.

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

Fair value – As of August 31, 2024, the swaps had a combined negative fair value of approximately \$2.5 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, 2024, 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 International Swaps and Derivatives Association, Inc. 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 of Philadelphia Gas Works Revenue 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 SOFR plus 0.0801% 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 if marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month SOFR plus 0.0801% received on the swap.

The impact of the interest rate swaps on the financial statements as of and for the year ended August 31, 2024 is as follows (thousands of U.S. dollars):

| | Interest Rate Swap Liability | Deferred outflows of resources | Deferred inflows of resources |
|--|------------------------------------|--------------------------------------|-------------------------------------|
| Balance at August 31, 2023 | (1,897) | - | (5,204) |
| Change in fair value through August 31, 2024 | (622) | - | 622 |
| Amortization of terminated hedge | - | - | 1,420 |
| Balance at August 31, 2024 | <u>(2,519)</u> | <u>-</u> | <u>(3,162)</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 to 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.

8. LEASES

A. CITY AS LESSEE

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The City leases and subleases a significant amount of nonfinancial assets such as land, buildings, equipment and

infrastructure. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, a lease liability and associated lease asset is recognized on the government-wide Statement of Net Position.

The City has a variety of variable payment clauses, within its lease arrangements, which include payments dependent on indexes and rates (such as the Consumer Price Index and a market interest rates), including variable payments based on future performance and usage of the underlying asset. Components of variable payments that are fixed in substance, are included in the measurement of the lease liability presented in the table below. The City did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions.

The City also enters into lease arrangements with third parties in which the City is a sublessee.

As of June 30, 2024, the City had minimum principal and interest payment requirements for its leasing activities, with a remaining term more than one year, for its Governmental and Business-Type Activities as follows (in thousands):

| Governmental Activities | | | |
|-------------------------|------------|------------|------------|
| Fiscal Year Ending | | | |
| June 30 | Principal | Interest | Total |
| 2025 | \$ 33,410 | \$ 15,383 | \$ 48,793 |
| 2026 | 32,660 | 14,510 | 47,170 |
| 2027 | 43,592 | 13,683 | 57,275 |
| 2028 | 48,111 | 12,617 | 60,728 |
| 2029 | 48,855 | 11,504 | 60,359 |
| 2030 - 2034 | 210,580 | 41,951 | 252,531 |
| 2035 - 2039 | 116,345 | 21,003 | 137,348 |
| 2040 - 2044 | 47,525 | 10,982 | 58,507 |
| 2045 - 2049 | 29,406 | 3,168 | 32,574 |
| 2050 - 2054 | 3,980 | 320 | 4,300 |
| Total | \$ 614,464 | \$ 145,121 | \$ 759,585 |

| Business-Type Activities | | | |
|--------------------------|-----------|----------|-----------|
| Fiscal Year Ending | | | |
| June 30 | Principal | Interest | Total |
| 2025 | \$ 1,838 | \$ 518 | \$ 2,356 |
| 2026 | 1,719 | 480 | 2,199 |
| 2027 | 1,749 | 443 | 2,192 |
| 2028 | 1,835 | 405 | 2,240 |
| 2029 | 1,922 | 365 | 2,287 |
| 2030 - 2034 | 7,045 | 1,232 | 8,277 |
| 2035 - 2039 | 1,055 | 910 | 1,965 |
| 2040 - 2044 | 1,173 | 791 | 1,964 |
| 2045 - 2049 | 1,305 | 659 | 1,964 |
| 2050 - 2054 | 1,451 | 513 | 1,964 |
| 2055 - 2059 | 1,614 | 350 | 1,964 |
| 2060 - 2064 | 1,796 | 169 | 1,965 |
| 2065 - 2066 | 657 | 13 | 670 |
| Total | \$ 25,159 | \$ 6,848 | \$ 32,007 |

B. CITY AS LESSOR

Additionally, as the lessor, the City leases, and subleases City-owned properties such as buildings, land, terminal concessions, and advertising space. The related receivables are presented in the Statement of Net Position for the amounts equal to the present value of lease payments expected to be received during the lease term. Revenue recognized under these lease contracts including interest during the year ended June 30, 2024 was \$3.3 and \$59.1 million, for the Governmental and Business-Type Activities, respectively. These amounts include variable payments not previously included in the measurement of the lease receivable.

The City's variable payments clause within its lease arrangements as the lessor, is similar to the arrangements made as lessee. The City did not incur revenue related to residual value guarantees or lease termination penalties. It also does not currently have agreements that include sale-leaseback and lease-leaseback transactions.

The following are schedules by year of minimum payments to be received under lease contracts that are included in the measurement of the lease receivable as of June 30, 2024 (in thousands):

| June 30 | Principal | Interest | Total |
|-------------|-----------|-----------|------------|
| 2025 | \$ 3,081 | \$ 3,680 | \$ 6,761 |
| 2026 | 3,265 | 3,582 | 6,847 |
| 2027 | 3,347 | 3,481 | 6,828 |
| 2028 | 3,617 | 3,374 | 6,991 |
| 2029 | 3,905 | 3,256 | 7,161 |
| 2030 - 2034 | 25,158 | 14,121 | 39,279 |
| 2035 - 2039 | 13,676 | 10,383 | 24,059 |
| 2040 - 2044 | 16,713 | 6,669 | 23,382 |
| 2045-2048 | 16,361 | 1,676 | 18,037 |
| Total | \$ 89,123 | \$ 50,222 | \$ 139,345 |

| Business-Type Activities | | | |
|--------------------------|------------|-----------|------------|
| Fiscal Year Ending | | | |
| June 30 | Principal | Interest | Total |
| 2025 | \$ 34,857 | \$ 4,811 | \$ 39,668 |
| 2026 | 31,351 | 3,840 | 35,191 |
| 2027 | 28,117 | 2,959 | 31,076 |
| 2028 | 25,506 | 2,157 | 27,663 |
| 2029 | 22,133 | 1,425 | 23,558 |
| 2030 - 2034 | 17,733 | 3,622 | 21,355 |
| 2035 - 2039 | 7,941 | 2,250 | 10,191 |
| 2040 - 2044 | 7,942 | 1,060 | 9,002 |
| 2045 - 2049 | 3,049 | 153 | 3,202 |
| 2050 - 2054 | 148 | 10 | 158 |
| Total | \$ 178,777 | \$ 22,287 | \$ 201,064 |

As of June 30, 2024, the City reported lease receivable of \$89.1 million and \$178.8 million for its Governmental and Business-type Activities, respectively. The City also reported a deferred inflow of resources in the amount of \$102.1 million and \$180.8 million for its Governmental and Business-type Activities, respectively, at June 30, 2024.

C. REGULATED LEASES

The Aviation Department does not recognize a lease receivable or a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g.

the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. Regulated leases include the following:

Airline Use Agreements:

On July 1, 2023, the Aviation Department entered into an Airport-Airline Use and Lease Agreement (Agreement) with 14 airlines operating at PHL. The Agreement has a three-year term, with two potential one-year extensions. These Agreements while regulated by the FAA are not within the disclosures. Revenues for terminal and ramp rentals were \$114.1 million in Fiscal Year 2024.

Fixed Base Operators:

The Aviation Department has one active contract a with Fixed Base Operator (FBO) for the lease of certain airport system property. The FBO is a commercial enterprise that provides aeronautical services such as fueling, aircraft parking and storage to general aviation operators, and is therefore considered to be a regulated lease. This agreement is scheduled to expire in April 2028. Revenues for FBOs was \$4.6 million in Fiscal Year 2024.

Hangers Ground Rentals:

The Aviation Department has entered into several agreements for aircraft maintenance facilities, cargo facilities and ramps, buildings, and land, which are regulated and whose term extends beyond June 30, 2022. Revenue recognized for these leases was \$3.6 million in Fiscal Year 2024.

Other Regulated Leases:

The Aviation Department has entered into an agreement with an airline fueling consortium at PHL. As defined by GASB 87, fuel consortium agreements are considered regulated. Revenue recognized for this agreement was \$2.3 million in Fiscal Year 2024.

Expected future minimum lease payments from Regulated Leases at June 30, 2024 are as follows (in thousands):

| Business-Type Activities | |
|--------------------------|----------------------------------|
| Fiscal Year Ending | |
| June 30 | Future Minimum Expected Receipts |
| 2025 | \$ 5,518 |
| 2026 | 5,449 |
| 2027 | 5,443 |
| 2028 | 5,047 |
| 2029 | 3,577 |
| 2030 - 2034 | 13,256 |
| 2035 - 2039 | 12,123 |
| 2040 - 2044 | 13,664 |
| 2045 - 2049 | 9,695 |
| 2050 - 2054 | 632 |
| 2055 - 2059 | 632 |
| 2060 - 2064 | 632 |
| 2065 - 2069 | 537 |
| Total | \$ 76,205 |

9. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

A SBITA is defined as a contractual agreement that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

The City uses various SBITA assets that it contracts through cloud computing arrangements, such as software as a service and platform as a service. The related obligations are presented in the amounts equal to the present value of subscription payments payable during the remaining SBITA term. A SBITA asset is presented in the Capital Asset section, on the government-wide financial statements.

The City has a variety of variable payment clauses, within its SBITA arrangements, including variable payments based on future performance or usage of the underlying asset. Components of variable payments that are fixed in substance are included in the measurement of the SBITA liability presented in the table below. The City did not incur expenses related to its SBITA activities such as termination penalties, not previously included in the measurement of the SBITA liability, or losses due to impairment.

As of June 30, 2024, the City (excluding discretely presented component units) had minimum principal and interest payment requirements for its SBITA activities, with a remaining term in excess of one year, as follows (in thousands):

| Governmental Activities | | | |
|-------------------------|-----------------|---------------|-----------------|
| Fiscal Year Ending | | | |
| June 30 | Principal | Interest | Total |
| 2025 | \$ 1,096 | \$ 131 | \$ 1,227 |
| 2026 | 1,177 | 87 | 1,264 |
| 2027 | 1,263 | 39 | 1,302 |
| 2028 | 7 | - | 7 |
| Total | <u>\$ 3,543</u> | <u>\$ 257</u> | <u>\$ 3,800</u> |

10. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2014, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as amended by GASB Statement No. 84 and GASB Statement No. 97, the City does not include the assets or activity of the plan in its financial statements.

The City of Philadelphia deferred compensation plan (457 plan) is considered a defined contribution pension plan for reporting purposes. Only employees participating in Pension Plan 10 and Plan 16 are eligible for the City match; provided that any Plan 16 employees whose annual salary is greater than the Stacked Hybrid Cap of \$65,000. The City will provide a match of 50% of employees' contribution up to maximum of 1.5% of the employee's annual salary. These contributions from both the employee and employer are deposited in a trust account held and administered by a third-party. The accounts are held in the name of each employee and the employee has control over how the investments are managed (which investments to choose, and when to withdraw investments). The City provides no guarantees on investment returns and has no liability to the plan beyond providing the match previously described. The employee contributions are immediately vested (no restrictions on withdraw). The employer contributions are vested after five years of credited service. If the employee separates from service prior to completion of five (5) years of Credited Service, the employee's City match will be forfeited. Any forfeitures of employer contributions are used to offset future employer contributions or plan costs. In FY 2024, the City contributed \$1.1 million to the plan, net of any forfeitures.

B. COMPONENT UNITS

1) Philadelphia Gas Works (PGW) offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The Plan is 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 50.0% matching contribution of applicable wages, up to a maximum of \$1000, that immediately vests to the employee. PGW contributed \$1.2 million in FY 2024. PGW's contributions are accounted for as part of administrative and general expenses on the statements of revenues and expenses and changes in net positions.

2) 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 to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District does not withhold those taxes.

11. FUND BALANCE POLICIES

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

- **Non-Spendable Fund Balance** — Includes amounts that cannot be spent because they are either (a) not in a spendable form, or (b) legally or contractually required to be maintained intact. The Permanent Funds had a non-spendable fund balance of \$5.1 million at June 30, 2024.
- **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 \$291.9 million at June 30, 2024. The fund balances in the following Special Revenue Funds were restricted: Health-Choices Behavioral Health \$380.9 million; Grants Revenue \$68.3 million; County Liquid Fuels Tax \$13.1 million; Special Gasoline Tax \$23.7 million; Hotel Room Rental Tax \$17.3 million; Car Rental Tax \$9.1 million; Housing Trust \$102.1 million; Acute Care Hospital Assessment \$20.2 million; County Demolition \$0.4 million; Transportation \$28.1 million; Arbitration Appeals \$0.3 million; Departmental \$14.0 million; PICA Administrative \$19.1 million. The Debt Service Fund had a Restricted Fund Balance of \$0.6 million and the entire fund balance of the Capital Improvement \$237.6 million funds was restricted. The Permanent Funds had a restricted fund balance of \$4.2 million at June 30, 2024.
- **Committed Fund Balance** — Includes amounts that can only be used for specific purposes pursuant to constraints imposed by an ordinance passed by Philadelphia's City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the ordinance that was employed when the funds were initially committed. The General Fund had a committed fund balance of \$112.8 million at June 30, 2024. The fund balances in the following Special Revenue Funds were committed: Philadelphia Prisons \$6.5 million, and Departmental \$3.7 million. The Permanent Funds had a committed fund balance of \$0.2 million at June 30, 2024.
- **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 \$565.3 million at June 30, 2024, which represents \$415.3 million of encumbrance balances and \$150.0 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, restricted or non-spendable. The General Fund had a \$594.7 million unassigned fund balance at June 30, 2024. Within the Special Revenue Funds, the Grants Revenue Fund had a negative unassigned fund balance of (\$753.4 million), the Community Development Fund had a negative unassigned fund balance of (\$25.9 million), and the Municipal Authority Administrative Fund had a negative unassigned balance of (\$15.5 million) at June 30, 2024.

The City Council and the Mayor established a Budget Stabilization Reserve (more commonly known as the "rainy day fund") through amendment to the City's Charter, which was approved by the voters at the election held on November 9, 2011.

Appropriation To The Budget Stabilization Reserve - City Code Section 2-300 (7)

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 , 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.

Withdrawals From The Budget Stabilization Reserve - City Charter Article VI, Chapter 1, Section 6-110

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:

- (1) A certification by the Director of Finance that General Fund Revenues actually received by the City during the prior fiscal year were at least one percent (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
- (2) A certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents; and that it would be fiscally imprudent to seek emergency appropriations pursuant to 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.

Beginning in Fiscal Year 2025, the provisions relating to the Budget Stabilization Reserve were further amended to expand the requirements of for the annual minimum appropriations to the Budget Stabilization Reserve, which was approved by the voters at the election held on May 16, 2023, as follows:

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 seventeen percent of projected General Fund Revenues for end of the current fiscal year as of the first business day after February 14:

- (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, as of the first business day after February 14, the Projected General Fund Balance for the end of the current fiscal year equals or exceeds:
 - (i) three percent (3%) of, but is less than five percent (5%) of, projected General Fund Revenues for end of the current fiscal year, an amount equal to three-quarters of one percent (.75%) of projected Unrestricted Local General Fund Revenues for the upcoming fiscal year;
 - (ii) five percent (5%) of, but is less than eight percent (8%) of, projected General Fund Revenues for the end of the current fiscal year, an amount equal to one percent (1.0%) of projected Unrestricted Local General Fund Revenues for the upcoming fiscal year; or
 - (iii) eight percent (8%) of projected General Fund Revenues for the end of the current fiscal year, the amount that exceeds such eight percent (8%) threshold or (1.0%) of projected Unrestricted Local General Fund Revenues for the upcoming fiscal year, whichever is greater; 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 only upon recommendation of the Mayor.

At June 30, 2024 the Budget Stabilization Reserve fund had a balance of \$112.8 million that was reported as committed fund balance in the City's General Fund.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the non-spendable category, funds shall be expended first from the 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;

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Exhibit XIII

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, 2024:

Amounts in Thousands

| | General Fund | HealthChoices Behavioral Health Fund | Grants Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|-------------------------|---|------------------------------------|---|---|
| <u>Nonspendable:</u> | | | | | |
| Inventory | \$ - | \$ - | \$ - | \$ 12 | \$ 12 |
| Permanent Fund (Principal) | - | - | - | 5,085 | 5,085 |
| Subtotal Nonspendable | - | - | - | 5,097 | 5,097 |
| <u>Restricted for:</u> | | | | | |
| Neighborhood Revitalization | 82,250 | - | 321 | - | 82,571 |
| Economic Development | - | - | - | 17,333 | 17,333 |
| Public Safety Emergency Phone System | - | - | 48,415 | - | 48,415 |
| Streets & Highways | - | - | - | 64,868 | 64,868 |
| Housing and Neighborhood Dev | - | - | - | 102,124 | 102,124 |
| Health Services | - | - | - | 20,164 | 20,164 |
| Behavioral Health | - | 380,895 | - | - | 380,895 |
| Parks & Recreation | - | - | - | 1,970 | 1,970 |
| Libraries & Museums | - | - | - | 751 | 751 |
| Intergovernmental Financing | - | - | - | 19,040 | 19,040 |
| Opioid Abatement | - | - | 19,537 | - | 19,537 |
| Demolition | - | - | - | 399 | 399 |
| Stadium Financing | - | - | - | 9,137 | 9,137 |
| Pension Obligation Bonds | 7 | - | - | - | 7 |
| Debt Service Reserve | - | - | - | 636 | 636 |
| Capital Projects | - | - | - | 237,645 | 237,645 |
| Street Lighting Program | 72,358 | - | - | - | 72,358 |
| Rebuild | 100,000 | - | - | - | 100,000 |
| Home Repair Program | 37,300 | - | - | - | 37,300 |
| Trust Purposes | - | - | - | 15,791 | 15,791 |
| Subtotal Restricted | 291,915 | 380,895 | 68,273 | 489,858 | 1,230,941 |
| <u>Committed, Reported in:</u> | | | | | |
| Budget Stabilization Reserve | 112,799 | - | - | - | 112,799 |
| Prisons | - | - | - | 6,471 | 6,471 |
| Parks & Recreation | - | - | - | 3,896 | 3,896 |
| Subtotal Committed | 112,799 | - | - | 10,367 | 123,166 |
| Assigned to: | | | | | |
| General Management & Support | 219,436 | - | - | - | 219,436 |
| Social Services | 52,102 | - | - | - | 52,102 |
| Economic Development | 6,923 | - | - | - | 6,923 |
| Libraries & Museums | 3,374 | - | - | - | 3,374 |
| Prisons | 31,749 | - | - | - | 31,749 |
| Health Services | 19,570 | - | - | - | 19,570 |
| Other | 82,115 | - | - | - | 82,115 |
| Phila. Beverage Tax - Unobligated | 150,042 | - | - | - | 150,042 |
| Subtotal Assigned | 565,311 | - | - | - | 565,311 |
| Unassigned Fund Balances: | 594,746 | - | (753,425) | (41,461) | (200,140) |
| Subtotal Unassigned | 594,746 | - | (753,425) | (41,461) | (200,140) |
| Total Fund Balances | \$ 1,564,771 | \$ 380,895 | \$ (685,152) | \$ 463,861 | \$ 1,724,375 |

12. 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.

Interfund transfers are primarily used for 1) debt service payments made from a debt service fund, but funded from an operating fund; 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds; 3) transfer the portion of wage taxes not needed for administrative costs from the PICA administrative fund to the general fund; or 4) to make lease payments made from the Municipal Authority administrative fund, but funded by general and proprietary funds.

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 | \$ - | \$ 51,170 | \$ 197,332 | \$ 134,339 | \$ 382,841 |
| Grants Revenue Fund | 420,376 | 1,103 | 3,395 | - | 424,874 |
| Non major Special Rev. Fds | 705,546 | - | - | 4,500 | 710,046 |
| Permanent Funds | - | 131 | - | - | 131 |
| Capital Improvements | - | 11,900 | - | - | 11,900 |
| Water Fund | 1,687 | 64,105 | - | - | 65,792 |
| Total | \$ 1,127,609 | \$ 128,409 | \$ 200,727 | \$ 138,839 | \$ 1,595,584 |

13. 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. 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 2024 totaled **\$2,442,421**.

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 recapturing of this tax credit.

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 2024 totaled, **\$603,312**.

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 2024 were:

- **State Act 175: \$1,159,863**
- **Ord. 961: \$12,013,524**
- **Ord. 1130: \$48,513,481**
- **Ord. 1456-A: \$44,846,555**

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, and 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.

State Taxes:

- Corporate Net Income Tax
- Capital Stock Foreign Franchise Tax
- Personal Income Tax (Partnerships or Sole Proprietors)
- Sales and Use Tax
- Mutual Thrift Institutions Tax
- Bank and Trust Company Share Tax
- Alternative Bank and Trust Company Shares Tax
- Insurance Premiums Tax

City Taxes:

- Business Income & Receipt Tax
- Net Profits Tax
- Use and Occupancy Tax
- Sales, Use and Hotel Occupancy Tax
- Real Estate Tax

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

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

Commitments made by recipients include;

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

to 5% of the gross revenues of that business in the immediately preceding calendar or fiscal year.

Gross dollar amounts, on accrual basis, by which the City's tax revenues were reduced as a result of the KOZ tax abatement programs for fiscal year 2024 were:

| | |
|--|----------------------|
| Real Estate Tax Credits (KOZ Credit) | \$ 8,254,337 |
| Business Income and Receipt Tax (KOZ Credit) | 60,139,376 |
| Net Profit Tax (KOZ Credit) | 3,089,870 |
| | <u>\$ 71,483,583</u> |

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

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

The following summarizes the fiscal year 2024 tax abatement agreements, and their respective dollar totals, entered into by the City of Philadelphia and Other Governments.

Tax Credit Agreements entered into by the City of Philadelphia

| | |
|--|---------------------|
| Community Development Corporation Tax Credit | \$ 2,442,421 |
| Job Creation Tax Credit | 603,312 |
| | <u>\$ 3,045,733</u> |

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

| | |
|--|-----------------------|
| DEVELOPMENT STATE ACT 205/175 | \$ 1,159,863 |
| ORD 961 UNCAPPED | 12,013,524 |
| ORD 1130 AS AMENDED 10 YRS | 48,513,481 |
| ORD 1456-A/983 AS AMENDED - 10 YEARS RESIDENTIAL | 44,846,555 |
| | <u>\$ 106,533,423</u> |

Tax Abatement Agreements entered into by Other Governments

| | |
|--|----------------------|
| Real Estate Tax Credits (KOZ Credit) | \$ 8,254,337 |
| Business Income and Receipt Tax (KOZ Credit) | 60,139,376 |
| Net Profit Tax (KOZ Credit) | 3,089,870 |
| | <u>\$ 71,483,583</u> |

As of June 30, 2024, the grand total of forgone revenues as a result of all the tax abatement programs was:

\$ 181,062,739

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 2024 tax revenues were redirected as result of the TIF program was **\$586,741**.

14. 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 the “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 | \$ | 1,874.7 |
| Service Agreements | \$ | 1,644.4 |
| Indemnity Claims | \$ | 157.8 |
| Employee Related Obligations | \$ | 933.6 |
| Arbitrage | \$ | 6.2 |
| Leases | \$ | 614.5 |
| Subscriptions | \$ | 3.5 |
| Total Adjustment: | \$ | 5,234.7 |

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

A. COMPONENT UNIT

1. Philadelphia Housing Authority

During the fiscal year ended March 31, 2024, a PHA solely owned entities purchased the 99.99% investor limited partner interest of Germantown House, L.P. and Uni-Penn Housing Partnership IV. With the acquisition of the 99.99% investor limited partnership interest of Germantown House, L.P. and Uni-Penn Housing Partnership IV are now considered a blended component unit of PHA. The consideration paid by GHLP LLC for Germantown House, L.P. and MLK4LP LLC for Uni-Penn Housing Partnership IV are recognized as capital investments. It was determined as of March 31, 2024, that a total loss of capital investments of \$755,539 should be recognized. The following tables are summaries of the acquisition:

Acquisition Details

| Entity Acquired | Acquired Date | PHA Owned Acquiring Entity | Former Investor Limited Partner |
|---------------------------------|---------------|----------------------------|---------------------------------|
| Germantown House, L.P. | 4/6/2023 | GHLP LLC | MMA Germantown House, L.P. |
| Uni-Penn Housing Partnership IV | 4/6/2023 | MLK4LP LLC | MMA MLK IV Limited Partnership |

Acquisition Costs

| Entity Acquired | Sales Price | Related Settlement Costs | Total Consideration |
|---------------------------------|-------------|--------------------------|---------------------|
| Germantown House, L.P. | \$ 274,755 | \$ 58,537 | \$ 333,292 |
| Uni-Penn Housing Partnership IV | 410,290 | 11,957 | 422,247 |
| | \$ 685,045 | \$ 70,494 | \$ 755,539 |

16. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$2,338.7 million of restricted net position, of which \$186.0 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)

| | Restricted Net Position | Restricted by Enabling Legislation |
|--------------------------------------|----------------------------|---------------------------------------|
| Capital Projects | 632,006 | - |
| Debt Service | 422,546 | - |
| Pension Oblig Bond Refunding Reserve | 7 | - |
| Behavioral Health | 380,895 | - |
| Neighborhood Revitalization | 82,570 | - |
| Street Lighting Project | 72,358 | - |
| Rebuild Project | 100,000 | - |
| Home Repair Program | 37,300 | - |
| Grant Programs | 394,777 | 102,124 |
| Rate Stabilization | 132,438 | - |
| Other | 83,840 | 83,840 |
| Total | 2,338,737 | 185,964 |

17. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of \$685.2 million. The deficit was primarily caused by the recording of reimbursed costs and corresponding revenues for services provided by the Department of Human Services to the grants fund, and the delay of billing and receiving reimbursements from the state.
- The Community Development Fund, which is a Special Revenue fund, has a Fund Balance Deficit at year-end of \$25.9 million. This deficit was primarily caused by the recording of reimbursed costs and corresponding revenues for services provided under the Community Development Block Grant, and the delay of billing and receiving reimbursements.

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 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, 2023, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

| | |
|----------------------------------|------------------|
| Actives | 26,646 |
| Terminated Vested | 781 |
| Disabled | 3,758 |
| Retirees | 22,409 |
| Beneficiaries | 8,565 |
| DROP | 2,210 |
| Total City Members | 64,369 |
| | |
| Annual Salaries | \$ 1,993,014,337 |
| Average Salary per Active Member | \$ 74,796 |
| | |
| Annual Retirement Allowances | \$ 848,128,541 |
| Average Retirement Allowance | \$ 24,419 |

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, 2023, members contributed at one of the following rates:

Employee Contribution Rates
For the Period of July 1, 2023 to June 30, 2024

| | Municipal (1) | Elected (2) | Police | Fire |
|--|---------------|-------------|--------|-------|
| Plan 67 | 7.00% | N/A | 6.00% | 6.00% |
| Plan 87 | 3.66% | 11.75% | 6.84% | 6.84% |
| Plan 87 - 50% of Aggregate Normal Cost (3) | 4.43% | N/A | N/A | N/A |
| Plan 87 - Accelerated Vesting (4) | 5.29% | 13.92% | N/A | N/A |
| Plan 87 Prime (5) | 4.66% | 12.75% | 7.84% | 7.84% |
| Plan 10 | 2.60% | N/A | 7.34% | 7.34% |
| Plan 10 - Accelerated Vesting | 3.49% | N/A | N/A | N/A |
| Plan 16 (6) | 4.17% | N/A | N/A | N/A |
| Plan 16 - Accelerated Vesting (7) | 4.64% | 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 \$571,022 under plan 87 Elected, normal cost or \$323,730 under Plan 87 Municipal and current annual payroll of \$3,205,286.
- 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 5 years and Elected Officials (L8) eligible to be vested in 8 years instead of 10 years.
- 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, 2019 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 2024, the City and other employers' contributions of \$948.7 million was more than the Actuarially Determined Employer contribution (ADEC) of \$822.3 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 Supplementary Information (page 33) 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 2024, the City and other employers' contributions of \$948.7 million exceeded the Minimum Municipal Obligation of \$671.7 million.

The Schedule of Employer contributions (based on the MMO Funding Policy) is included as Required Supplementary Information (page 33) 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 2024, the City and other employers' contributions of \$948.7 million exceeded the contribution under Revenue Recognition Policy of \$742.8 million.

The Schedule of Employer Contributions (based on the RRP Funding Policy) is included as Required Supplementary Information (page 33) 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/nonuniform status, and entry date into the System.

Nonuniform 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. Uniformed 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 nonservice-connected disability benefits varies by bargaining unit and uniform/nonuniform status. Nonservice-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%); or

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, 2023, the date of the most recent actuarial valuation, there was \$7.2 million in the PAF and the Board voted to make PAF distributions of \$56.9 thousand during the fiscal year ended June 30, 2024.

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 participants 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, 2024, is \$200.4 million.

c. INVESTMENTS

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

The overall investment objectives and goals should be achieved by the 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 7.30% 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 7.30% over a market cycle. The investment return assumption was reduced by the Board from 7.35% to 7.30% 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 October 24, 2023:

(see pension plan's investment policy: www.phila.gov/media/20240516111338/pensions-investment-policy-statement.pdf)

| Asset Class | Target Allocation |
|------------------------------|-------------------|
| Broad Fixed Income | 21.0 % |
| 91 Day T-Bills | 4.0 % |
| Opportunistic Credit | 3.0 % |
| U.S. All Cap Core Equity | 24.0 % |
| Broad Non-US Equity | 12.0 % |
| Emerging Markets Equity | 2.0 % |
| Global Low Volatility Equity | 8.0 % |
| Core Real Estate | 7.0 % |
| Public REITs | 1.0 % |
| Opportunistic Real Estate | 1.0 % |
| Global Infrastructure | 5.0 % |
| Private Debt | 2.0 % |
| Private Equity | 10.0 % |
| Total | 100.0 % |

Money-Weighted Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.00%. 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 alternative 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 alternative 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 Receivables, 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 of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

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

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

Administrative Expenses

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

e. CASH DEPOSITS, INVESTMENTS AND SECURITIES LENDING

Legal Provisions

The Fund is authorized to invest in "prudent investments," including obligations of the U.S. Treasury, agencies, and instrumentalities of the United States, investment grade corporate bonds, common stock, real estate, private market, etc. City ordinances contain provisions which preclude the Fund from investing in organizations that conduct business in certain countries and 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, 2024. 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, Northern Trust, 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. There is no formally adopted investment policy to manage custodial credit risk.

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. There is no formally adopted investment policy to manage interest rate risk.

The table below details the exposure to interest rate changes based upon maturity dates of the fixed income securities at June 30, 2024 (in thousands):

| | Total Fair Value | Less Than 1 Year | 1-5 Years | 6-10 Years | More than 10 Years |
|--|---------------------|---------------------|-------------------|-------------------|-----------------------|
| Asset Backed Securities | \$ 28,305 | \$ - | \$ 10,258 | \$ 4,488 | \$ 13,559 |
| Commercial Mortgage Backed Securities | 16,017 | - | 2,204 | 1,583 | 12,230 |
| Corporate Bonds | 371,428 | 5,797 | 150,935 | 136,516 | 78,180 |
| Fixed Income ETF | 7,423 | 7,423 | - | - | - |
| Government Agencies | 30,574 | 1,294 | 7,020 | 10,497 | 11,763 |
| Government Bonds | 442,673 | 19,224 | 136,966 | 140,877 | 145,606 |
| Government Mortgage Backed Securities | 321,053 | - | 475 | 2,664 | 317,914 |
| Gov't-issued Commercial Mortgage Backed | 4,473 | - | 4,416 | 42 | 15 |
| Municipal Bonds | 13,706 | 361 | 2,794 | 1,342 | 9,209 |
| Non-Gov't Baked C.M.O.s | 2,114 | - | - | - | 2,114 |
| Sukuk | 1,741 | - | 1,741 | - | - |
| Total Interest Rate Risk of Debt Securities | <u>\$ 1,239,507</u> | <u>\$ 34,099</u> | <u>\$ 316,809</u> | <u>\$ 298,009</u> | <u>\$ 590,590</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, 2024, 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. There is no formal policy regarding concentration of credit risk.

Credit Risk

Credit 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 \$841.4 million of directly owned fixed income securities. The Fund's directly owned rated debt investments as of June 30, 2024, were rated by Standard & Poor's, a nationally recognized statistical rating agency and are presented below using Standard and Poor's rating scale (in thousands):

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Exhibit XIII

| 2024 (in Thousands) | Credit Rating | | | | | | | | | | |
|---|---------------------|------------------|-------------------|------------------|-------------------|-------------------|------------------|------------------|---------------|---------------|------------------|
| | Total Fair Value | AAA | AA | A | BBB | BB | B | CCC | CC | D | NR |
| Asset Backed Securities | \$ 28,002 | \$ 13,465 | \$ 110 | \$ 1,231 | \$ 5,088 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,108 |
| Commercial Mortgage Backed Securities | 16,017 | 3,962 | 892 | 413 | 494 | - | - | - | - | - | 10,256 |
| Corporate Bonds | 371,428 | 3,269 | 6,339 | 62,112 | 90,093 | 89,422 | 68,469 | 18,786 | 182 | 131 | 32,625 |
| Fixed Income ETF | 7,423 | - | - | - | - | - | - | - | - | - | 7,423 |
| Government Agencies | 19,580 | 2,587 | 6,572 | 661 | 4,243 | 604 | 470 | - | - | 119 | 4,324 |
| Government Bonds | 96,853 | 3,036 | - | 1,512 | 32,081 | 16,683 | 2,634 | 2,393 | 430 | 706 | 37,378 |
| Government Mortgage Backed Securities | 280,057 | - | 280,057 | - | - | - | - | - | - | - | - |
| Gov't-issued Commercial Mortgage Backed | 4,458 | - | 4,458 | - | - | - | - | - | - | - | - |
| Municipal Bonds | 13,706 | - | 9,099 | 2,216 | 73 | 720 | - | - | - | - | 1,598 |
| Non-Gov't Baked C.M.O.s | 2,114 | - | - | - | - | - | - | - | - | - | 2,114 |
| Sukuk | 1,741 | - | - | - | 860 | - | - | - | - | - | 881 |
| Total Credit Risk of Debt Securities | <u>\$ 841,379</u> | <u>\$ 26,319</u> | <u>\$ 307,527</u> | <u>\$ 68,145</u> | <u>\$ 132,932</u> | <u>\$ 107,429</u> | <u>\$ 71,573</u> | <u>\$ 21,179</u> | <u>\$ 612</u> | <u>\$ 956</u> | <u>\$104,707</u> |
| U.S. Gov't Guaranteed* | 398,128 | | | | | | | | | | |
| | <u>\$ 1,239,507</u> | | | | | | | | | | |

* U.S. government agency securities explicitly guaranteed by the U.S. government are categorized here.

Foreign Currency Risk

The Fund's exposure to foreign currency risk derives from its position in foreign currency-denominated cash and investments in fixed income, equities, and derivatives. The foreign currency investment in equity securities is 38.65% of the total investment in equities. There is no formally adopted investment policy to limit foreign currency exposure. The Fund's exposure to foreign currency risk on June 30, 2024 was as follows (expressed in thousands):

| Currency | Cash | Fixed Income | Equities | Derivatives | Total |
|------------------------|------------------|------------------|---------------------|-------------------|---------------------|
| Euro | \$ 918 | \$ 4,585 | \$ 535,706 | \$ (792) | \$ 540,417 |
| Japanese yen | 1,932 | - | 372,288 | (1,048) | 373,172 |
| British pound sterling | 719 | 19,832 | 270,701 | (934) | 290,318 |
| Canadian dollar | 623 | 1,464 | 201,011 | (1,533) | 201,565 |
| Swiss franc | 1,282 | - | 126,365 | - | 127,647 |
| Australian dollar | 358 | - | 109,269 | (519) | 109,108 |
| Hong Kong dollar | 605 | - | 102,114 | (113) | 102,606 |
| Danish krone | 130 | - | 54,974 | - | 55,104 |
| South Korean won | - | - | 43,664 | - | 43,664 |
| Swedish krona | 248 | - | 40,618 | - | 40,866 |
| Singapore dollar | 135 | - | 28,434 | - | 28,569 |
| Mexican peso | 85 | 18,975 | 6,258 | - | 25,318 |
| Brazilian real | 35 | 6,448 | 12,617 | - | 19,100 |
| South African rand | - | 10,740 | 7,044 | - | 17,784 |
| Norwegian krone | 242 | - | 11,988 | - | 12,230 |
| Colombian peso | - | 8,132 | 213 | - | 8,345 |
| Indonesian rupiah | 25 | 2,252 | 6,034 | - | 8,311 |
| Philippine peso | 212 | - | 7,341 | - | 7,553 |
| New Israeli shekel | 117 | - | 7,160 | - | 7,277 |
| Thai baht | - | - | 6,942 | - | 6,942 |
| Malaysian ringgit | 4 | 206 | 5,717 | - | 5,927 |
| New Zealand dollar | 273 | 1,098 | 4,255 | - | 5,626 |
| Polish zloty | 2 | 1,922 | 2,720 | - | 4,644 |
| New Taiwan dollar | 2,362 | - | 834 | - | 3,196 |
| Turkish lira | - | 1,057 | 2,100 | - | 3,157 |
| Hungarian forint | - | 1,372 | 647 | - | 2,019 |
| All Others | 155 | 4,390 | 3,696 | - | 8,241 |
| | <u>\$ 10,462</u> | <u>\$ 82,473</u> | <u>\$ 1,970,710</u> | <u>\$ (4,939)</u> | <u>\$ 2,058,706</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, 2024 in addition to the fair value and change in the fair value of derivatives (in thousands):

| List of Derivatives Aggregated by Investment Type | | | | | |
|---|---------------------------------|-----------------|-----------------------------|---------------|-------------------|
| Classification | Change in Fair Value | | Fair Value at June 30, 2024 | | Notional |
| Investment Derivatives | | | | | |
| Forwards Currency Contracts | Net Appreciation in Investments | \$ 2,957 | Investments | \$ 254 | \$ 204,217 |
| Futures | Net Appreciation in Investments | - | Investments | - | 32,713 |
| Grand Totals | | <u>\$ 2,957</u> | | <u>\$ 254</u> | <u>\$ 236,930</u> |

A Derivative 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 fixed interest rate Swaps during 2024. On its pay-variable, receive-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 \$30,835 and is included in the net change in fair value of investments in the statement of changes in fiduciary net position.

Forward contracts:

The Fund is exposed to basis risk on its forward contracts because of a possible mismatch between the price of the asset being hedged and the price at which the forward contract is expected to settle. The realized loss from forward contracts was (\$7,909,896) and is included in the net change in fair value of investments in the statement of changes in fiduciary net position.

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, 2024 (in thousands):

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Exhibit XIII

| | June 30, 2024 | Fair Value Measurements Using | | |
|---|---------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by Fair Value Level | | | | |
| Asset Backed Securities | \$ 28,305 | \$ - | \$ 28,305 | \$ - |
| Commercial Mortgage Backed | 16,017 | - | 15,434 | 583 |
| Corporate Bonds | 371,428 | - | 371,016 | 412 |
| Fixed Income ETF | 7,423 | 7,423 | - | - |
| Government Agencies | 30,574 | - | 30,574 | - |
| Government Bonds | 442,673 | - | 441,336 | 1,337 |
| Government Mortgage Backed Securities | 321,053 | - | 321,053 | - |
| Gov't-issued Commercial Mortgage Backed | 4,473 | - | 4,473 | - |
| Municipal Bonds | 13,706 | - | 13,706 | - |
| Non-Government Backed C.M.O.s | 2,114 | - | 2,114 | - |
| Sukuk | 1,741 | - | 1,741 | - |
| Equity | 5,098,729 | 5,097,259 | - | 1,470 |
| Total Investments by Fair Value Level | 6,338,236 | 5,104,682 | 1,229,752 | 3,802 |
| Investments Measured at the Net Asset Value (NAV) | | | | |
| Private Market | \$ 968,301 | | | |
| Real Estate | 419,286 | | | |
| Fixed Income Hedge Funds | 15,989 | | | |
| Equity Long/Short Hedge funds | 30,153 | | | |
| Total Investments Measured at the NAV | 1,433,729 | | | |
| Total Investments Measured at Fair Value | \$ 7,771,965 | | | |
| Investment Derivative Instruments | | | | |
| Forward Currency Contracts (Assets) | \$ 1,964 | - | \$ 1,964 | |
| Forward Currency Contracts (Liabilities) | (1,710) | - | (1,710) | |
| Total Investment Derivative instruments | \$ 254 | \$ - | \$ 254 | |

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).

| Investment Measured at the Net Asset Value (NAV) | | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|--|--------------|-------------------------|--|--------------------------------|
| | | | | |
| Private Market | \$ 968,301 | \$ 246,396 | N/A | N/A |
| Real Estate | 419,286 | 109,813 | N/A | N/A |
| Fixed Income Hedge Funds | 15,989 | - | Quarterly | 90-120 days |
| Equity Long/Short Hedge funds | 30,153 | - | Quarterly | 90 days' notice |
| Total Investments Measured at the NAV | \$ 1,433,729 | | | |

1. Private market 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 in these funds may 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 5 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.

2. 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 7 to 10 years.

3. 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 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.

4. 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 90 days' notice.

Securities Lending Program

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized Northern Trust to act as the Fund's agent in lending the Fund's securities to approved borrowers. Northern Trust, as agent, enters into Securities Loan Agreements with borrowers.

Securities are loaned versus collateral that may include cash; U.S. government and select OECD government debt securities; and domestic and international equities from major indices as defined specifically in the non-cash collateral guidelines within the Securities Lending Authorization Agreement. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. Non-Cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of City of Philadelphia Board of Pensions and Retirement loans was approximately 80 days as of June 30, 2024.

Cash open collateral is invested in a short-term investment pool, the NT Coll SL Core S/T Inv Fund, which had an interest sensitivity of 24 days as of this statement date.

There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

As of June 30, 2024, the fair value of securities on loan was \$320.2 million. Associated collateral totaling \$329.2 million was comprised of cash which was invested in a separately managed account based upon the investment guidelines established by the Pension Fund. As of June 30, 2024, the invested cash collateral was \$329.2 million and is valued at amortized cost.

f. INVESTMENT ADVISORS

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

g. NET PENSION LIABILITY

The components of the net pension liability as of June 30, 2024 were as follows (in thousands):

| | | |
|----------------------------------|----|------------------|
| Total Pension Liability | \$ | 13,032,857 |
| Plan Fiduciary Net Position | | 8,566,208 |
| Collective Net Pension Liability | \$ | <u>4,466,649</u> |

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 65.7%

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2023 and was rolled forward to June 30, 2024. The June 30, 2023 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: | 7.35% compounded annually, net of expenses |
| Salary Increases: | Age based table |

The investment return assumption was changed from 7.35% from the prior year valuation to 7.30% 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, 109% and 126%, for males and females, respectively, of the Pub-2010(B) General employee Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021. For Uniform employees, 118% and 122%, for males and females, respectively, of the Pub-2010(B) Safety Employee Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.

The measurement date for the net pension liability (NPL) is June 30, 2024. Measurements are based on the fair value of assets as of June 30, 2024 and the total pension liability (TPL) as of the valuation date, July 1, 2023, updated to June 30, 2024. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments and an adjustment to reflect changes in assumptions.

There were no changes in benefits during the year. Effective July 1, 2024, there was an assumption change, approved by the Board, reducing the expected long-term return on assets from 7.35% to 7.30% which increased the TPL by approximately \$61 million.

During the measurement year, the collective NPL decreased by approximately \$376 million. The service cost and interest cost increased the collective NPL by approximately \$1.1 billion while contributions and investment gains offset by administrative expenses decreased the collective NPL by approximately \$1.7 billion. Additionally, there was an actuarial experience loss during the year of approximately \$171 million.

As defined under title §22-311 of the Philadelphia Code, the Pension Adjustment Fund (PAF) provides for additional benefit distributions to retirees and beneficiaries through the use of excess earnings. The Fiduciary Net Position (FNP) balances as of the beginning and end of the measurement period include the PAF assets. PAF distributions are reflected when the additional benefits are actually paid out of the FNP balance. During the measurement year, PAF distributions increased the collective NPL by approximately \$57 thousand.

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 expenses) 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.

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, 2024, are summarized in the following table:

| Asset Class | Long-Term Expected Rate of Return |
|------------------------------|-----------------------------------|
| Broad Fixed Income | 4.8 % |
| 91 Day T-Bills | 3.5 % |
| Opportunistic Credit | 7.5 % |
| U.S. All Cap Core Equity | 7.5 % |
| Broad Non-US Equity | 7.7 % |
| Emerging Markets Equity | 8.1 % |
| Global Low Volatility Equity | 6.0 % |
| Core Real Estate | 6.0 % |
| Public REITs | 5.5 % |
| Opportunistic Real Estate | 9.8 % |
| Global Infrastructure | 6.7 % |
| Private Debt | 9.4 % |
| Private Market | 10.2 % |

The above table reflects the expected real rate of return for each major asset class. The expected inflation rate is projected at 2.75% for the same period.

Discount Rate: The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed 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 7.30%, 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 (in thousands):

| | 1% Decrease 6.30% | Discount Rate 7.30% | 1% Increase 8.30% |
|----------------------------------|-------------------------|---------------------------|-------------------------|
| Total Pension Liability | \$ 14,355,274 | \$ 13,032,857 | \$ 11,905,196 |
| Plan Fiduciary Net Position | 8,566,208 | 8,566,208 | 8,566,208 |
| Collective Net Pension Liability | \$ 5,789,066 | \$ 4,466,649 | \$ 3,338,988 |

| | | | |
|---|-------|-------|-------|
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 59.7% | 65.7% | 72.0% |
|---|-------|-------|-------|

h. GUARANTEE OF BENEFITS

Benefits under the Fund are guaranteed by statute. In the event if employee contributions do not equal the 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, 2024.

| | Change in Collective Net Pension Liability | | |
|--|--|---------------------------------|---------------------------------|
| | Increase (Decrease) | | |
| | (Amounts in thousands of USD) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at 6/30/2023 | \$ 12,650,397 | \$ 7,808,089 | \$ 4,842,308 |
| Changes for the year: | | | |
| Service cost | 195,726 | | 195,726 |
| Interest | 921,857 | | 921,857 |
| Changes of benefits | - | | - |
| Differences between expected and actual experience | 170,975 | | 170,975 |
| Changes of assumptions | 60,692 | | 60,692 |
| Contributions - employer | | 948,686 | (948,686) |
| Contributions - member | | 127,355 | (127,355) |
| Net investment income | | 658,958 | (658,958) |
| Benefit payments | (966,790) | (966,790) | - |
| Administrative expense | | (10,033) | 10,033 |
| PAF Distributions | | (57) | 57 |
| Net Changes | <u>382,460</u> | <u>758,119</u> | <u>(375,659)</u> |
| Balances at 6/30/2024 | <u>\$ 13,032,857</u> | <u>\$ 8,566,208</u> | <u>\$ 4,466,649</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

(Amounts in thousands of USD)

| | For the year ended | PPA | PMA | PHDC | City | Total |
|---------------------------------|--------------------|-----------------|--------------|--------------|------------------|------------------|
| Collective pension expense | | \$ 5,106 | \$ 417 | \$ 1,355 | \$ 514,150 | \$ 521,028 |
| Change in proportion | | (13,701) | 219 | 578 | 12,904 | - |
| Contribution difference | | 6,866 | 181 | 973 | (8,020) | - |
| Employer pension expense | | <u>(1,729)</u> | <u>817</u> | <u>2,906</u> | <u>519,034</u> | <u>521,028</u> |
| Net pension liability | 6/30/23 | 30,991 | 2,421 | 8,232 | 4,800,664 | 4,842,308 |
| Net pension liability | 6/30/24 | 43,773 | 3,573 | 11,613 | 4,407,690 | 4,466,649 |
| Change in net pension liability | | <u>12,782</u> | <u>1,152</u> | <u>3,381</u> | <u>(392,974)</u> | <u>(375,659)</u> |
| Deferred outflow s | 6/30/23 | 14,542 | 1,153 | 3,662 | 435,356 | 454,713 |
| Deferred outflow s | 6/30/24 | 28,312 | 2,231 | 7,238 | 417,714 | 455,495 |
| Change in deferred outflow s | | <u>13,770</u> | <u>1,078</u> | <u>3,576</u> | <u>(17,642)</u> | <u>782</u> |
| Deferred inflow s | 6/30/23 | 31,265 | 596 | 1,263 | 114,437 | 147,561 |
| Deferred inflow s | 6/30/24 | 14,327 | 314 | 677 | 81,025 | 96,343 |
| Change in deferred inflow s | | <u>(16,938)</u> | <u>(282)</u> | <u>(586)</u> | <u>(33,412)</u> | <u>(51,218)</u> |
| Employer contributions | | 16,195 | 1,025 | 3,687 | 927,779 | 948,686 |
| Employer pension expense | | (1,729) | 817 | 2,906 | 519,034 | 521,028 |

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 | 4,407,690 | - | 4,407,690 |
| PPA | 43,773 | 43,773 | - |
| PMA | 3,573 | - | 3,573 |
| PHDC (1) | 11,613 | 11,613 | - |
| Collective Net Pension Liability | <u>4,466,649</u> | <u>55,386</u> | <u>4,411,263</u> |
| State Pension Fund | | | |
| PICA | | | 1,062 |
| City's Primary Government Net Pension Liability (Exhibit I) | | | <u>4,412,325</u> |

(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, proportion changes and contribution differences.

Schedule of Employer's Deferred Outflows

(Amounts in thousands of USD)

| | PPA | PMA | PHDC | CITY | Total |
|-------------------------|------------------|-----------------|-----------------|-------------------|-------------------|
| Proportionate Shares | 0.98% | 0.08% | 0.26% | 98.68% | 100% |
| Experience | \$ 1,777 | \$ 145 | \$ 471 | \$ 178,935 | \$ 181,328 |
| Assumption changes | 1,475 | 121 | 391 | 148,528 | 150,515 |
| Investment return | 764 | 63 | 203 | 76,946 | 77,976 |
| Proportion change | 12,336 | 1,512 | 4,185 | 13,305 | 31,338 |
| Contribution difference | 11,960 | 390 | 1,988 | - | 14,338 |
| | <u>\$ 28,312</u> | <u>\$ 2,231</u> | <u>\$ 7,238</u> | <u>\$ 417,714</u> | <u>\$ 455,495</u> |

Deferred Inflows by Employer

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

Schedule of Employer's Deferred Inflows

(Amounts in thousands of USD)

| | PPA | PMA | PHDC | CITY | Total |
|-------------------------|------------------|---------------|---------------|------------------|------------------|
| Proportionate Shares | 0.98% | 0.08% | 0.26% | 98.68% | 100% |
| Experience | \$ 496 | \$ 41 | \$ 132 | \$ 49,998 | \$ 50,667 |
| Assumption changes | - | - | - | - | - |
| Investment return | - | - | - | - | - |
| Proportion change | 13,831 | 273 | 545 | 16,689 | 31,338 |
| Contribution difference | - | - | - | 14,338 | 14,338 |
| | <u>\$ 14,327</u> | <u>\$ 314</u> | <u>\$ 677</u> | <u>\$ 81,025</u> | <u>\$ 96,343</u> |

Recognition of Deferred Outflows and Inflows by Employer

The following table shows the net amount of deferred outflows and inflows to be recognized by each participating employer in each of the next five years and the total thereafter.

Schedule of Employer's Recognition of Deferred Outflows and Inflows

(Amounts in thousands of USD)

| For Year ending | PPA | PMA | PHDC | CITY | Total |
|-----------------|------------------|-----------------|-----------------|-------------------|-------------------|
| 2025 | \$ (2,569) | \$ 399 | \$ 1,486 | \$ 28,452 | \$ 27,768 |
| 2026 | 6,910 | 667 | 2,237 | 244,132 | 253,946 |
| 2027 | 4,886 | 502 | 1,700 | 40,313 | 47,401 |
| 2028 | 4,758 | 349 | 1,139 | 23,791 | 30,037 |
| 2029 | - | - | - | - | - |
| Thereafter | - | - | - | - | - |
| Total | <u>\$ 13,985</u> | <u>\$ 1,917</u> | <u>\$ 6,562</u> | <u>\$ 336,688</u> | <u>\$ 359,152</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"). 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, 2024), the Plan's membership consisted of:

| | |
|--------------------------------|-------------|
| Active participants | 1,135 |
| Retired participants | 2,202 |
| Vested terminated participants | 323 |
| Total plan participants | 3,660 |
| | |
| Total payroll | 108,176,665 |
| Average pay | 95,310 |

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, 2024 totaled \$2,641,728.

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, 2024 and the contribution rate as a percentage of payroll was 27.73%.

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.

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:
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, 2024, the Plan had investments of approximately \$638.2 million, comprised of \$438.5 million in equities and \$199.7 million in fixed-income investments. The ratio of equities to fixed income is 69% to 31%, which is in line with the Policy guidelines of 60-70% equities and 30-40% fixed income.

For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of investment expense was 13.90%.

The Commission employs third-party vendors to manage the assets of the Plan as well as perform other needed services. As of June 30, 2024, the Commission employed the following investment managers and vendors:

| Manager | Mandate | Balance (Millions) |
|-------------------------------|----------------------------|--------------------|
| <u>Equity Managers</u> | | |
| RhumbLine Asset Management | Domestic Large Cap Index | \$ 117.3 |
| RhumbLine International | International Markets | 33.5 |
| PineBridge Investments | Domestic Large Cap Index | 80.4 |
| Northern Trust Company | Domestic Large Cap Index | 46.6 |
| Acadian Asset Management | International Markets | 52.1 |
| Earnest Partners, LLC | International Markets | 48.6 |
| Copeland Capital Management | Domestic and International | 30.0 |
| Rhumblin Small CAP | Domestic Small Cap Index | <u>30.0</u> |
| | | 438.5 |
| <u>Bond Managers</u> | | |
| Weaver Barksdale | Core | 54.7 |
| Met Life Inc | Investment Grade | 17.4 |
| Met Life Inc | Core | 54.9 |
| Garcia Hamilton | Intermediate | 57.1 |
| Sky Harbor Capital Management | High Yield | <u>15.6</u> |
| | | <u>199.7</u> |
| Total | | <u>\$ 638.2</u> |

At its quarterly meetings, the Commission, with the assistance of Marquette Associates, 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.

c. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The accompanying financial statements were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Fund adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB). The Board has a fiduciary responsibility for the investments within the fiduciary fund. The Fund includes a fiduciary fund which accounts for assets held by the government in a trustee capacity for a pension trust fund. The pension trust fund includes a defined benefit plan which is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Contributions to the defined benefit pension plans are recognized in the period in which the contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

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 \$26,458,612 for the year ended June 30, 2024. Net unrealized gain for the year ended June 30, 2024 totaled \$37,819,581.

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 accounting 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 \$60,927,782 and \$494,475, respectively for the year ended June 30, 2024.

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, 2024, 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 and 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.

Interest Rate Risk

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

| | Total Fair Value | Below 1 Year | 1 to 5 years | 5 to 10 years | 10 years and over |
|-----------------------|-----------------------------|-------------------------|----------------------|----------------------|------------------------------|
| U.S. Govt. Treasuries | \$ 58,199,500 | \$ 836,547 | \$ 29,659,163 | \$ 16,745,594 | \$ 10,958,196 |
| U.S. Govt. Agencies | 67,415,552 | - | 612,883 | 1,002,120 | 65,800,549 |
| Municipal Bonds | 244,858 | - | - | - | 244,858 |
| Corporate Bonds | 62,487,901 | 878,132 | 24,937,512 | 25,956,400 | 10,715,857 |
| Foreign Bonds | 11,541,392 | 763,292 | 5,180,675 | 3,707,762 | 1,889,663 |
| | \$ 199,889,203 | \$ 2,477,971 | \$ 60,390,233 | \$ 47,411,876 | \$ 89,609,123 |

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, 2024 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:

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Exhibit XIII

| S&P Credit Rating | U.S. Government Treasury | U.S. Government Agency Securities | Municipal Obligations | Corporate Bonds | Foreign Bonds | Total Fair Value |
|--------------------------|--------------------------------|--|--------------------------|----------------------|----------------------|-----------------------|
| AAA | \$ - | \$ - | \$ - | \$ 2,767,614 | \$ - | \$ 2,767,614 |
| AA+ | - | 65,233,381 | - | 196,131 | - | 65,429,512 |
| AA | - | - | - | 610,439 | - | 610,439 |
| AA- | - | - | - | 616,000 | 53,254 | 669,254 |
| A+ | - | - | - | 1,886,560.00 | 374,803 | 2,261,363 |
| A | - | - | 244,858 | 3,298,884 | 481,853 | 4,025,595 |
| A- | - | - | - | 9,990,393.00 | 2,607,467 | 12,597,860 |
| BBB+ | - | - | - | 9,315,640 | 2,352,645 | 11,668,285 |
| BBB | - | - | - | 11,255,909.00 | 1,279,612 | 12,535,521 |
| BBB- | - | - | - | 5,730,747 | 1,747,746 | 7,478,493 |
| BB+ | - | - | - | 2,461,644 | 191,986 | 2,653,630 |
| BB | - | - | - | 1,963,139 | 958,656 | 2,921,795 |
| BB- | - | - | - | 3,321,788 | 412,230 | 3,734,018 |
| B+ | - | - | - | 2,451,908 | 441,122 | 2,893,030 |
| B | - | - | - | 1,886,045 | 320,952 | 2,206,997 |
| B- | - | - | - | 1,036,687 | 98,373 | 1,135,060 |
| CCC+ | - | - | - | 989,915 | - | 989,915 |
| CCC | - | - | - | 373,340 | - | 373,340 |
| CCC- | - | - | - | 89,317 | - | 89,317 |
| C | - | - | - | - | - | - |
| NR/NA | - | - | - | 2,245,801 | 220,693 | 2,466,494 |
| | <u>\$ -</u> | <u>\$ 65,233,381</u> | <u>\$ 244,858</u> | <u>\$ 62,487,901</u> | <u>\$ 11,541,392</u> | <u>\$ 139,507,532</u> |
| U.S. Govt. Guaranteed | 58,199,500 | 2,182,171 | | | | 60,381,671 |
| | <u>\$ 58,199,500</u> | <u>\$ 67,415,552</u> | <u>\$ 244,858</u> | <u>\$ 62,487,901</u> | <u>\$ 11,541,392</u> | <u>\$ 199,889,203</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, 2024, 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 101% 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, 2024, the weighted average maturity was 6 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, 2024, the Fund had no credit risk exposure to borrowers because all borrowers were required to deliver collateral for each loan.

As of June 30, 2024, the fair value of securities on loan was \$51.0 million. Associated collateral totaling \$52.1 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, 2024, the invested cash collateral was \$52.1 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, 2024:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|-----------------------|-----------------------|-----------------|-----------------------|
| Corporate bonds | \$ - | \$ 62,487,901 | \$ - | \$ 62,487,901 |
| Common and preferred stock | 437,095,011 | - | 2,480 | 437,097,491 |
| U.S. government securities | 58,199,500 | 67,415,552 | - | 125,615,052 |
| Foreign bonds | - | 11,541,392 | - | 11,541,392 |
| Municipal obligations | - | 244,858 | - | 244,858 |
| Mutual funds | 1,185,738 | - | - | 1,185,738 |
| | <u>\$ 496,480,249</u> | <u>\$ 141,689,703</u> | <u>\$ 2,480</u> | <u>\$ 638,172,432</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, 2024 of \$339,965 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, 2024, were as follows (dollar amounts in thousands):

| | |
|--|-------------------|
| Total pension liability | \$ 841,655 |
| Plan fiduciary net position | 654,984 |
| Net pension liability | <u>\$ 186,671</u> |
| Plan fiduciary net position as a percentage of of the total pension liability | 77.82% |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024 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-2021.

Change in Assumptions

The total pension liability reflects an increase of approximately \$8.1 million because of changes in actuarial assumptions for the Plan year ended June 30, 2024. The increase is primarily driven from the demographic changes which is approximately \$6.1 million higher than expected based on the prior year actuarial valuation. There was no change in the mortality table from the prior year.

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 the expected rates of return for each major asset class for FY 2024 are summarized in the following table:

| Asset Class | Long-Term Expected Rate of Return |
|----------------------|--------------------------------------|
| Domestic Equity | 7.5 % |
| International Equity | 7.7 % |
| Fixed Income | 4.8 % |

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for June 30, 2024. 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, 2024 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 | Current Rate | 1% Increase |
|---|-------------------|-------------------|-------------------|
| | 6.00% | 7.00% | 8.00% |
| Total Pension Liability | \$ 931,385 | \$ 841,655 | \$ 765,721 |
| Plan Fiduciary Net Position | 654,984 | 654,984 | 654,984 |
| Net Pension Liability | <u>\$ 276,401</u> | <u>\$ 186,671</u> | <u>\$ 110,737</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 70.32% | 77.82% | 85.54% |

Subsequent Events

The Plan has evaluated subsequent events occurring after the statement of fiduciary net position through the date of December 11, 2024, which is the date the financial statements were available to be issued.

Based on this evaluation, the Plan has determined that 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, 2024 was measured as of June 30, 2024 based on an actuarial valuation as of June 30, 2024.

The total pension liability was determined using the entry age normal actuarial method and the following actuarial assumptions:

| | 2024 |
|---------------------------|-------|
| Inflation | 2.00% |
| Investment rate of return | 7.00% |
| Salary increases: | |
| Years of services | |
| 0 | 8.86 |
| 1 | 8.59 |
| 2 | 8.31 |
| 3 | 8.04 |
| 4 | 7.77 |
| 5 | 7.49 |
| 6 | 7.22 |
| 7 | 6.94 |
| 8 | 6.67 |
| 9 | 6.39 |
| 10 | 6.12 |
| 11 | 5.84 |
| 12 | 5.57 |
| 13 | 5.29 |
| 14 | 5.02 |
| 15 | 4.74 |
| 16 | 4.54 |
| 17 | 4.33 |
| 18 | 4.12 |
| 19 | 3.91 |
| 20 or more | 3.71 |

Mortality rates

Mortality rates for FY 2024 were based on the Pri-2012 mortality tables projected generationally from the central year using Scale MP-2021.

Long-term rate of return

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – f. Net Pension Liability - Long-Term Expected Rate of Return

Discount rate

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – f. Net Pension Liability – Discount Rate

Sensitivity of the net pension liability to changes in the discount rate

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – f. Net Pension Liability – Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Changes in net pension liability: The following table shows the changes in total pension liability (TPL), the plan fiduciary net position (FNP), and the net pension liability (NPL) as of August 31, 2024 (thousands of U.S. dollars):

| | Increase (Decrease) | | |
|--|-------------------------|-----------------------------|-----------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balances at September 1, 2023 | \$ 833,566 | \$ 604,133 | \$ 229,433 |
| Changes for the year: | | | |
| Service cost | 9,257 | - | 9,257 |
| Interest | 56,901 | - | 56,901 |
| Differences between expected and actual experience | 2,859 | - | 2,859 |
| Contributions - employer | - | 30,000 | (30,000) |
| Contributions - employee | - | 2,642 | (2,642) |
| Net investment income | - | 79,631 | (79,631) |
| Benefit payments | (60,928) | (60,928) | - |
| Administrative expense | - | (494) | 494 |
| Net Changes | 8,089 | 50,851 | (42,762) |
| Balances at August 31, 2024 | <u>\$ 841,655</u> | <u>\$ 654,984</u> | <u>\$ 186,671</u> |

f. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended August 31, 2024, PGW recognized pension expense of \$25.3 million. At August 31, 2024, PGW reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources (thousands of U.S. dollars):

| | August 31, 2024 | |
|--|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 4,480 | \$ - |
| Changes of assumptions | 237 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 20,160 |
| Contributions made after measurement date | 6,396 | - |
| Total | <u>\$ 11,113</u> | <u>\$ 20,160</u> |

The \$6.4 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2024 will be recognized as a reduction of the total pension liability in PGW's FY 2025. 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: | |
| 2025 | \$ (8,212) |
| 2026 | 13,206 |
| 2027 | (12,769) |
| 2028 | (7,668) |

g. Pension Plan's Fiduciary Net Position

Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report. Requests for additional information should be addressed to Chief Investment Officer, Philadelphia Board of Pensions and Retirements, 1500 J.F.K. Blvd, 17th floor, Philadelphia, PA 19102.

(2) School District of Philadelphia

a. Plan Description

Public School Employees' Retirement System (PSERS) 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. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

b. Benefits provided:

PSERS provides retirement, 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, Membership Class T-E (Class T-E) and 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until the age of 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% to 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. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class 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 Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class 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

Member Contributions:

The contribution rates based on qualified member compensation for virtually all members are presented below:

| Member Contribution Rates | | | | |
|---------------------------|-----------------------------|---|----------------------|-------------------------|
| Membership Class | Continuous Employment Since | Defined Benefit (DB) Contribution Rate | DC Contribution Rate | Total Contribution Rate |
| T-C | Prior to July 22, 1983 | 5.25% | N/A | 5.25% |
| | | | | 6.25% |
| T-C | On or after July 22, 1983 | 6.25% | N/A | 6.25% |
| T-D | Prior to July 22, 1983 | 6.50% | N/A | 6.50% |
| | | | | 7.50% |
| T-D | On or after July 22, 1983 | 7.50% | N/A | 7.50% |
| T-E | On or after July 01, 2011 | 7.50% base rate with shared risk provision | N/A | Prior to 7/1/21: 7.50% |
| | | | | After 7/1/21: 8.00% |
| T-F | On or after July 01, 2011 | 10.30% base rate with shared risk provision | N/A | Prior to 7/1/21: 10.30% |
| | | | | After 7/1/21: 10.8% |
| T-G | On or after July 01, 2019 | 5.50% base rate with shared risk provision | 2.75% | Prior to 7/1/21: 8.25% |
| | | | | After 7/1/21: 9.00% |
| T-H | On or after July 01, 2019 | 4.50% base rate with shared risk provision | 3.00% | Prior to 7/1/21: 7.50% |
| | | | | After 7/1/21: 8.25% |
| DC | On or after July 01, 2019 | N/A | 7.50% | 7.50% |

| Shared Risk Program Summary | | | | |
|-----------------------------|--------------------------------|-----------------------|---------|---------|
| Membership Class | Defined Benefit (DB) Base Rate | Shared Risk Increment | Minimum | Maximum |
| T-E | 7.50% | +/- 0.50% | 5.50% | 9.50% |
| T-F | 10.30% | +/- 0.50% | 8.30% | 12.30% |
| T-G | 5.50% | +/- 0.75% | 2.50% | 8.50% |
| T-H | 4.50% | +/- 0.75% | 1.50% | 7.50% |

Employer's Contributions:

The **SDP** contractually required contribution rate for fiscal year ended June 30, 2024 was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The **SDP** made a combined total of \$437.0 million to PSERS and VOYA (the sponsor of the Defined Contribution vendor) for the year ended June 30, 2024.

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 (school) 2023-2024 was 70.98%.

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

- (a) At June 30, 2024, the **SDP** reported a liability of \$3,578.3 million for its proportionate share of the net pension liability of which \$3,525.6 million was under the Governmental Activity section of the Government-wide Statements while the \$52.7 million 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, 2023, 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, 2022 to June 30, 2023. The **SDP'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, 2024, the **SDP's** proportion was 8.0435 percent, which was an increase of .1015 percent from its proportion measured as of June 30, 2023.
- (b) For the year ended June 30, 2024, the **SDP** recognized net pension expense of \$53,897.3 thousand of which \$52,661.5 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$1,235.8 thousand was under the Business-type Activity section

of the Government-wide Statements.

- (c) At June 30, 2024, the **SDP** reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars in Thousands)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 811.0 | \$ (48,993.0) |
| Change in assumption | 53,392.0 | - |
| Net difference between projected and actual investment earnings | 101,253.0 | - |
| Change in proportions | 65,056.0 | - |
| Difference between employer contributions and proportionate share of total contributions | 1,839.4 | - |
| Contributions subsequent to the measurement date | 436,950.5 | - |
| | <u>\$ 659,301.9</u> | <u>\$ (48,993.0)</u> |

Deferred outflows of resources for contributions subsequent to the measurement date was \$436,950.5 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 June 30 | Deferred Outflows of Resources | Deferred inflows of Resources | Net Deferred Outflows and Inflows of Resources |
|-----------------------|-----------------------------------|----------------------------------|---|
| 2025 | \$ 98,534.3 | \$ (21,709.7) | \$ 76,824.6 |
| 2026 | (72,635.3) | 16,279.6 | (56,355.7) |
| 2027 | 153,019.5 | (33,913.1) | 119,106.4 |
| 2028 | 43,432.8 | (9,649.8) | 33,783.0 |
| Thereafter | - | - | - |
| Total | <u>\$ 222,351.4</u> | <u>\$ (48,993.0)</u> | <u>\$ 173,358.4</u> |

Of the \$173,358.4 thousand reported as net deferred outflows, \$170,759.0 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 \$2,522.8 thousand and \$76.6 thousand, respectively.

Changes in Actuarial assumptions:

The total pension liability as of June 30, 2023 was determined by rolling forward the System's total pension liability as of June 30, 2022 actuarial valuation to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2022.
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return - 7.00% includes inflation at 2.50%.
- Salary growth - Effective average of 4.50% comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2022 and as of June 30, 2023.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.

Mortality rates - Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Global public equity | 30.0% | 5.2% |
| Private equity | 12.0% | 7.9% |
| Fixed income | 33.0% | 3.2% |
| Commodities | 7.5% | 2.7% |
| Absolute return | 4.0% | 4.1% |
| Infrastructure/ MLPs | 10.0% | 5.4% |
| Real estate | 11.0% | 5.7% |
| Cash | 3.0% | 1.2% |
| Financing (LIBOR) | -10.5% | 1.2% |
| | <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, 2023.

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.54%. 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 7.00%. 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 SDP'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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.00%) or 1% point higher (8.00%) than the current rate:

| | (Dollars in Thousands) | | |
|--|------------------------|------------------------|----------------------|
| | 1% Decrease 6.00% | Discount Rate 7.00% | 1% Increase 8.00% |
| District's proportionate share of net pension liability | \$ 4,638,414 | \$ 3,578,262 | \$ 2,683,811 |

f. Pension Plan Fiduciary Net Position:

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on the System's website at www.psers.pa.gov.

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. 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.

Benefits provided

Medical Coverage:

The City of Philadelphia subsidizes health care for five years from the time of coverage election for eligible retirees. Retirees have option to defer their health care coverage to 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. For retirees covered by the City-Administered plan, the City continues to provide medical insurance coverage after five years, at full cost to the retirees.

Life Insurance Coverage:

The City provides life insurance to retirees for the life of the participant. Firefighters are entitled to \$7,500 coverage and all other employees receive \$6,000 in coverage.

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 the District Council 33 union and is self-insured for all other union and non-union employees. The City's contributions are estimated to be about \$103.6 million for the fiscal year ending June 30, 2024.

Employees covered by benefit terms:

As of July 1, 2022, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

Medical Coverage:

| | |
|---|--------|
| Retired and inactive employees deferring medical coverage | 3,960 |
| DROP employees with medical coverage | 1,917 |
| Active employees | 26,715 |
| Total | 32,592 |

Life Insurance Coverage

| | |
|---|--------|
| Inactive employees or beneficiaries currently receiving life insurance coverage | 27,769 |
| Active employees | 26,715 |
| Total | 54,484 |

Total OPEB Liability

The City's total OPEB liability reported as of June 30, 2024 of \$1.81 billion was measured as of June 30, 2023 based on an actuarial valuation as of June 30, 2022.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2022 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, 2023, for reporting date June 30, 2023
- June 30, 2022, for reporting date June 30, 2023

Discount rate

- 3.65% per annum for the valuation measured as of June 30, 2023
- 3.54% per annum for the valuation measured as of June 30, 2022

Salary Increase Rate

| Age | Municipal and Elected Officials | Uniformed |
|-----|------------------------------------|-----------|
| <20 | 20.00% | 18.00% |
| 20 | 18.00% | 16.50% |
| 25 | 10.00% | 10.00% |
| 30 | 7.00% | 6.25% |
| 35 | 5.75% | 4.50% |
| 40 | 4.50% | 4.00% |
| 45 | 4.25% | 3.75% |
| 50 | 4.00% | 3.50% |
| 55 | 3.75% | 3.25% |
| 60 | 3.50% | 3.00% |
| 65+ | 3.25% | 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 Beginning | Medical - Uniformed | | Rx | | Medical /Rx Combined - City Administered | |
|----------------------|---------------------|-------------------|--------------|-------------------|---|-------------------|
| July 1 | Pre-Medicare | Medicare Eligible | Pre-Medicare | Medicare Eligible | Pre-Medicare | Medicare Eligible |
| 2023 | 8.00% | 8.00% | 9.00% | 9.00% | 8.20% | 7.80% |
| 2024 | 7.75% | 7.75% | 8.75% | 8.75% | 7.95% | 7.55% |
| 2025 | 7.50% | 7.50% | 8.50% | 8.50% | 7.70% | 7.30% |
| 2026 | 7.00% | 7.00% | 8.25% | 8.25% | 7.25% | 7.05% |
| 2027 | 6.66% | 6.66% | 7.70% | 7.70% | 6.87% | 6.70% |
| 2028 | 6.32% | 6.32% | 7.16% | 7.16% | 6.49% | 6.36% |
| 2029 | 5.99% | 5.99% | 6.61% | 6.61% | 6.11% | 6.01% |
| 2030 | 5.65% | 5.65% | 6.06% | 6.06% | 5.73% | 5.66% |
| 2031 | 5.31% | 5.31% | 5.52% | 5.52% | 5.35% | 5.32% |
| 2032 | 4.97% | 4.97% | 4.97% | 4.97% | 4.97% | 4.97% |
| 2033 | 4.80% | 4.80% | 4.80% | 4.80% | 4.80% | 4.80% |
| 2034 | 4.57% | 4.57% | 4.57% | 4.57% | 4.57% | 4.57% |
| 2035 | 4.46% | 4.46% | 4.46% | 4.46% | 4.46% | 4.46% |
| 2036 | 4.39% | 4.39% | 4.39% | 4.39% | 4.39% | 4.39% |
| 2037 | 4.35% | 4.35% | 4.35% | 4.35% | 4.35% | 4.35% |
| 2038 | 4.32% | 4.32% | 4.32% | 4.32% | 4.32% | 4.32% |
| 2039 | 4.29% | 4.29% | 4.29% | 4.29% | 4.29% | 4.29% |
| 2040 | 4.28% | 4.28% | 4.28% | 4.28% | 4.28% | 4.28% |
| 2041 | 4.26% | 4.26% | 4.26% | 4.26% | 4.26% | 4.26% |
| 2042 | 4.20% | 4.20% | 4.20% | 4.20% | 4.20% | 4.20% |
| 2043 | 4.14% | 4.14% | 4.14% | 4.14% | 4.14% | 4.14% |
| 2044 | 4.14% | 4.14% | 4.14% | 4.14% | 4.14% | 4.14% |

Dental and vision costs are assumed to increase at 3% per year.

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 coverage.
- 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

Rates of Pre-retirement Mortality

- Municipal and Elected members: 109% and 126%, for males and females, respectively, of the Pub-2010(B) General Employee Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.
- Uniformed members: 118% and 122%, for males and females, respectively, of the Pub-2010(B) Safety Employee Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.

Rate of Post-retirement Mortality

- Municipal and Elected members: 109% and 126%, for males and females, respectively, of the Pub-2010(B) General Healthy Annuitant Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.
- Uniformed members: 118% and 122%, for males and females, respectively, of the Pub-2010(B) Safety Healthy Annuitant Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.

Rate of Post-Disability Mortality

- Municipal and Elected members: 108% and 105%, for males and females, respectively, of the Pub-2010 General Disabled Annuitant Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.
- Uniformed members: 135% for males only of the Pub-2010 Safety Disabled Annuitant Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.

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, 2023.

| | Increase (Decrease) | | |
|-------------------------------------|-------------------------------|------------------------------------|---------------------------------|
| | (Amounts in thousands of USD) | | |
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at 6/30/2022 | \$ 1,784,500 | \$ - | \$ 1,784,500 |
| Changes for the year: | | | |
| Service cost | 82,200 | | 82,200 |
| Interest | 64,300 | | 64,300 |
| Changes of benefits | - | | - |
| Differences between expected/actual | - | | - |
| Changes of assumptions | (15,400) | | (15,400) |
| Contributions - employer | | 101,100 | (101,100) |
| Contributions - non employer | | - | - |
| Contributions - member | | - | - |
| Net investment income | | - | - |
| Benefit payments | (101,100) | (101,100) | - |
| Administrative expense | | - | - |
| Net changes | 30,000 | - | 30,000 |
| Balances at 6/30/2023 | \$ 1,814,500 | \$ - | \$ 1,814,500 |

There were no actuarial experience losses or gains during the year because the TOL at the beginning of the year and end of the year were both based on the same valuation.

The employer contribution of \$101.1 million is based on a blend of actual contributions and estimated contributions based on the prior report.

There was a gain in the liability of \$21.3 million due to the increase in the discount rate from 3.54% to 3.65%. 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, calculated using the discount rate of 3.65%, as well as what the City's total liability would be if it were calculated using a discount rate that is 1% lower or 1% higher 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.

| | (Amounts in thousands of USD) | | |
|--|-------------------------------|------------------------|----------------------|
| | 1% Decrease 2.65% | Discount Rate 3.65% | 1% Increase 4.65% |
| Total OPEB Liability | \$ 1,961,500 | \$ 1,814,500 | \$ 1,681,000 |
| Plan Fiduciary Net Position | - | - | - |
| Net OPEB Liability | \$ 1,961,500 | \$ 1,814,500 | \$ 1,681,000 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 0.0% | 0.0% | 0.0% |

A 1% decrease in the discount rate increases the TOL and NOL by approximately 8%. A 1% 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 is 1% lower or 1% 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.

(Amounts in thousands of USD)

| | <u>1/ Decrease</u> | <u>Healthcare Trend</u> | <u>1/ Increase</u> |
|--|------------------------|-------------------------|------------------------|
| Total OPEB Liability | \$ 1,640,000 | \$ 1,814,500 | \$ 2,019,400 |
| Plan Fiduciary Net Position | - | - | - |
| Net OPEB Liability | <u>\$ 1,640,000</u> | <u>\$ 1,814,500</u> | <u>\$ 2,019,400</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 0.0% | 0.0% | 0.0% |

A 1% decrease in the healthcare trends decreases the TOL and NOL by approximately 10%. A 1% 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, 2024, the City recognized OPEB expense of \$84.4 million. The table below shows the development of OPEB expense in two different ways. First, by taking the change in the amounts reported on the employers' Statement of Net Position that relates to the Plan and is not attributable to employer contributions which is the change in NOL minus/plus the change in deferred outflows/inflows plus employer contributions during the year. Alternatively, calculating annual OPEB expense by its individual components such as operating expense, financing expense and other changes.

Calculation of OPEB Expense

(Amounts in thousands of USD)

| Fiscal Year Ending Measurement Year Ending | June 30, 2024 June 30, 2023 |
|---|--|
| Change in Net OPEB Liability | \$ 30,000 |
| Change in Deferred Outflows | 23,600 |
| Change in Deferred Inflows | (70,300) |
| Non Employer Contributions | - |
| Employer Contributions | 101,100 |
| OPEB Expense | \$ 84,400 |
| OPEB Expense as % of Payroll | 4.23% |
| Operating Expenses | |
| Service cost | \$ 82,200 |
| Employee contributions | - |
| Administrative expenses | - |
| Total | <u>\$ 82,200</u> |
| Financing Expenses | |
| Interest cost | \$ 64,300 |
| Expected return on assets | - |
| Total | <u>\$ 64,300</u> |
| Changes | |
| Benefit changes | \$ - |
| Recognition of assumption changes | (62,300) |
| Recognition of liability gains and losses | 200 |
| Recognition of investment gains and losses | - |
| Total | <u>\$ (62,100)</u> |
| OPEB Expense | \$ 84,400 |

At June 30, 2024, the City reported deferred outflow of resources and deferred inflow of resources related to OPEB from the following sources:

**Schedule of Deferred Inflows and Outflows of Resources as of
June 30, 2024 Projected Fiscal Year End
June 30, 2023 Measurement Date**

(Amounts in thousands of USD)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 29,100 | \$ 48,800 |
| Changes in assumptions | 71,300 | 328,600 |
| Net differences between projected and actual earnings on OPEB plan investments | - | - |
| Contributions subsequent to measurement date | 103,600 | - |
| Total | \$ 204,000 | \$ 377,400 |

Amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:

| | |
|------------|-------------|
| 2025 | (47,100) |
| 2026 | (47,100) |
| 2027 | (47,200) |
| 2028 | (37,000) |
| 2029 | (43,200) |
| Thereafter | \$ (55,400) |

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, 2025.

Reconciliation of Total OPEB Liability

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

(Amounts in thousands of USD)

| OPEB Plans | City | Blended Component Unit | City and Blended Component Unit |
|--|-------------|-----------------------------------|--|
| City Collective OPEB Liability | 1,814,500 | | 1,814,500 |
| PICA (State OPEB Plan) | | 354 | 354 |
| City's Primary Government Total OPEB Liability (Exhibit I) | | | <u>1,814,854</u> |

The Plan is not currently being pre-funded, 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. 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 OPEB

The **SDP** recognized and recorded (1) the actuarially determined total OPEB liability for unfunded plans and (2) the net OPEB liability or, for multi-employer cost sharing plans, the entity's share of the net OPEB liability in the entity's financial statements. Currently, the **SDP** has two OPEB benefits (1) Life Insurance Benefits and (2) PSERS OPEB. The following schedule presents the aggregate of OPEB liabilities, deferred outflows and inflows of resources, and the current year OPEB expense for the **SDP** during Fiscal Year 2024:

| | Governmental Activities | Business-type Activities | Total |
|--------------------------------|----------------------------|-----------------------------|------------------|
| OPEB Liabilities | \$ (160,571,717) | \$ (2,264,701) | \$ (162,836,418) |
| Deferred Outflows of Resources | 30,366,552 | 411,376 | 30,777,928 |
| Deferred Inflows of Resources | (31,318,446) | (494,710) | (31,813,156) |
| Current Year Expenses | (656,647) | 60,533 | (596,114) |

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 age 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 benefits provided by the **SDP**. Employees who were granted disability retirement from PSERS and were approved by the insurance company providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. An unaudited copy of the single-employer life insurance benefit plan can be obtained by writing to the 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 **SDP** is not prefunding these benefits, no actuarially determined contribution is determined.

There have been no significant changes between the valuation dates and the measurement year ends.

The numbers of eligible participants enrolled to receive such benefits as of June 30, 2024, the effective date of the biennial OPEB valuation, follows.

| | Number of Employees |
|----------|------------------------|
| Active | 16,462 |
| Retirees | 9,494 |
| Total | 25,956 |

Total OPEB Life Insurance liability:

On June 30, 2024, the **SDP** reported a liability of \$16.7 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, 2024 reporting date (which is the plan's and/or employer's fiscal year ending date), the "Valuation Date is June 30, 2022." This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2023. This is the date as of which the total OPEB Life Insurance liability was determined.

The **SDP's** actuary determined the total OPEB Life Insurance liability for the fiscal year ending June 30, 2024 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: 3.54% per annum as of June 30, 2022 and 3.65% as of June 30, 2023 (Bond Buyer General Obligation 20 year-Tax Exempt Municipal Bond Index, selected by the **SDP**).

Salary Increases: 3.00% per year (based on input from **SDP**).

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.

Termination: Withdrawal rates vary by age and years of service. Illustrative rates are shown below:

| If less than 5 Years of Service | | If 5 or more Years of Service | |
|---------------------------------|-------------|-------------------------------|-------------|
| <u>Years of Service</u> | <u>Rate</u> | <u>Age</u> | <u>Rate</u> |
| <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 June 30, 2023 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 age of 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 | | | | |
|-------------------------------|-------------|---------------|------------------------|---------------|
| Class TC & TD | | | Class TE, TF, TG, & TH | |
| <u>Age</u> | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> |
| 55 | 14.50% | 14.50% | 14.50% | 14.50% |
| 60 | 14.50% | 15.00% | 14.50% | 15.00% |

| Sample Superannuation Retirement Rates | | | | |
|--|-------------|---------------|------------------------|---------------|
| Class TC & TD | | | Class TE, TF, TG, & TH | |
| <u>Age</u> | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> |
| 55 | 25.00% | 16.00% | 16.30% | 19.50% |
| 60 | 29.00% | 31.00% | 16.30% | 19.50% |
| 65 | 23.00% | 28.00% | 16.30% | 19.50% |
| 70 | 20.00% | 23.00% | 16.30% | 19.50% |
| 75 | 25.00% | 25.00% | 16.30% | 19.50% |
| 80 | 100.00% | 100.00% | 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, selected by the **SDP**.

Administrative Expenses: A 10% load is applied to the life insurance benefits to account for administrative expenses paid by the **SDP**.

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 minimis 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 **SDP**. Service was determined as the elapsed time from the provided date of hire with the **SDP** until the date of determination.

Actuarial Cost Method:

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 3.54% as of June 30, 2022, to 3.65% as of June 30, 2023, due to changes in the applicable municipal bond index.

An administrative expense load of 10% was added.

| <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> |
| 6/30/2023 | \$ 16,739,418 | \$ 945,795,239 | 1.77% |

OPEB Life Insurance Benefits Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

Changes in Total OPEB Life Insurance Liability:

| | <u>Increase/(Decrease) Total OPEB Life Insurance Liability</u> |
|---|--|
| Beginning of Year Balance | \$ 16,824,403 |
| Changes for the year (2023-2024): | |
| Service Cost | 85,927 |
| Interest on total OPEB Life insurance Liability | 589,024 |
| Effect of Assumption changes or inputs | (212,695) |
| Benefit Payments | (547,241) |
| End of Year Balance | <u>\$ 16,739,418</u> |

Sensitivity of the SDP's Total OPEB Life Insurance Liability to changes in the discount rate:

The following presents the total liability, calculated using the discount rate of 3.65%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.65%) or 1% point higher (4.65%) than the current rate:

| <u>2022-23 Measurement Period</u> | | | |
|--|------------------------------|--------------------------------|------------------------------|
| <u>(Dollars in Thousands)</u> | | | |
| | <u>1% Decrease 2.65%</u> | <u>Discount Rate 3.65%</u> | <u>1% Increase 4.65%</u> |
| District's Total OPEB Life Insurance Liability | \$ 18,871.3 | \$ 16,739.4 | \$ 15,012.1 |

On June 30, 2024, the **SDP** reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Dollars in Thousands)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Contributions subsequent to the measurement date | \$ 549.7 | \$ - |
| Differences between expected and actual experience | - | (139.6) |
| Effect of assumptions changes or inputs | 621.0 | (2,109.1) |
| | <u>\$ 1,170.7</u> | <u>\$ (2,248.7)</u> |

\$549.7 thousand reported as deferred outflows of resources related to OPEB resulting from **SDP** contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the next fiscal period. Other amounts of (\$1,627.7) 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 Outflows and Inflows of Resources Related to OPEB Life Insurance:

- For the year ended June 30, 2024, the **SDP** recognized net OPEB expense of \$631.6 thousand which was all under the Governmental Activity section of the Government-wide Statements.
- The other \$1,627.7 thousand reported as net deferred inflows was under the Governmental Activities column of the Government-wide statements. Amounts currently reported as deferred outflows and inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

(Dollars in Thousands)

| Year Ended June 30 | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows of Resources |
|-----------------------|-----------------------------------|----------------------------------|--|
| 2024 | \$ 68.7 | \$ (248.8) | \$ (180.1) |
| 2025 | 263.3 | (953.6) | (690.3) |
| 2026 | 272.7 | (987.5) | (714.8) |
| 2027 | 16.3 | (58.8) | (42.5) |
| Total | <u>\$ 621.0</u> | <u>\$ (2,248.7)</u> | <u>\$ (1,627.7)</u> |

PSERS Other Postemployment Benefits

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

- At June 30, 2024, the **SDP** reported a liability of \$146.1 million for its proportionate share of the net OPEB liability of which \$143.8 million was under the Governmental Activity section of the Government-wide Statements while \$2.3 million 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, 2023 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 OPEB liability as of June 30, 2022 to June 30, 2023. The **SDP's** proportion of the net OPEB 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, 2024, the **SDP's** proportion was 8.0751 percent, which was an increase of 0.107 percent from its proportion measured as of June 30, 2023.
- For the year ended June 30, 2024, the **SDP** recognized net OPEB expense of \$678.0 thousand of which \$738.6 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of (\$60.6) thousand was under the Business-type Activity section of the Government-wide Statements.
- At June 30, 2024, the **SDP** 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 Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 957.0 | \$ (1,448.0) |
| Change in assumption | 12,624.0 | (27,647.0) |
| Net difference between projected and actual investment earnings | 329.0 | - |
| Change in proportions | 7,125.0 | (428.0) |
| Difference between employer contributions and proportionate share of total contributions | 59.9 | (41.5) |
| Contributions subsequent to the measurement date | 8,512.3 | - |
| | <u>\$ 29,607.2</u> | <u>\$ (29,564.5)</u> |

\$8,512.3 thousand reported as deferred outflows of resources related to OPEB resulting from **SDP** 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 June 30 | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows of Resources |
| 2024 | \$ 410.1 | \$ (574.8) | \$ (164.7) |
| 2025 | 5,592.5 | (7,837.9) | (2,245.4) |
| 2026 | 6,663.8 | (9,339.3) | (2,675.5) |
| 2027 | 8,649.8 | (12,122.6) | (3,472.8) |
| 2028 | (221.2) | 310.1 | 88.9 |
| Total | <u>\$ 21,095.0</u> | <u>\$ (29,564.5)</u> | <u>\$ (8,469.5)</u> |

Of the (\$8,469.5) thousand reported as net deferred inflows, (\$8,383.1) thousand was under the Governmental-Activities column of the Government-wide statements and (\$86.4) thousand was under the Business-type Activities column.

Actuarial assumptions: The total OPEB liability as of June 30, 2023 was determined by rolling forward the System's total OPEB liability as of June 30, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2022
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return from 4.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, which is comprised of inflation of 2.50% and 2.00% 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 on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020:

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021 determined the employer contribution rate for fiscal year 2023.
- 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: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments: Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Healthcare Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

| <u>OPEB - Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|---------------------------|--------------------------|---|
| Cash | 100.00% | 1.2% |
| | <u>100.00%</u> | |

Discount rate:

The discount rate used to measure the Total OPEB Liability was 4.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.

The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2023, 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, 2023, 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 2023, 92,677 retirees were receiving the maximum amount allowed of \$1,200 per year and 522 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, 2023, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1% lower or 1% point higher than the current rate:

| | | | |
|---------------------------|------------------------|-----------------------|-------------|
| | (Dollars in Thousands) | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| System net OPEB liability | 146,083 | 146,097 | 146,108 |

*Sensitivity of the **SDP's** proportionate share of net OPEB liability to changes in the discount rate:*

The following presents the net liability, calculated using the discount rate of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (3.13%) or 1% point higher (5.13%) than the current rate:

| | (Dollars in Thousands) | | |
|---|------------------------|--------------------------------|----------------------|
| | 1% Decrease 3.13% | Current Discount Rate 4.13% | 1% Increase 5.13% |
| District's proportionate share of the net OPEB liability | 165,180 | 146,097 | 130,123 |

OPEB plan fiduciary net position:

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report, which can be found on the System's website at www.psers.pa.gov.

Changes in Actuarial Assumptions:

- The discount rate used to measure the Total OPEB Liability increased from 4.09% as of June 30, 2022 to 4.13% as of June 30, 2023.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

2) Philadelphia Gas Works (PGW) OPEB

Plan Description:

PGW sponsors a single employer defined benefit healthcare plan, which provides postemployment healthcare and life insurance benefits to retirees and their beneficiaries and dependents 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 Shield with Major Medical, or Keystone HMOs. Employees who retired after December 1, 2001 and prior to September 1, 2007 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 and prior to September 1, 2011 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Union employees who retired after August 31, 2011 and prior to May 15, 2022 are provided the Keystone 15 at PGW's expense, and they can buy up to a more expensive plan. Union employees who retired on or after May 15, 2022 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Management employees who retired after August 31, 2011 are provided the Keystone 10 Plan as the base plan, 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 retired between January 1, 2024 and August 31, 2024 are provided the Keystone 10 plan at PGW's expense, and they 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 \$0.4 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. Dependents are entitled to receive health coverage up to age 19 or age 23 for full-time students.

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, or Keystone 15 plan at PGW's expense and can buy up to a more expensive plan. Retirees also contribute toward enhanced medical, 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, 2023, the date of the latest actuarial valuation, the OPEB Plan's combined membership consisted of the following:

| | Number |
|-------------------------------|--------|
| Retirees | 1,471 |
| Beneficiaries | 348 |
| Active employees – Union | 1,092 |
| Active employees – Management | 525 |
| Total number of participants | 3,436 |

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, 2023, PGW contributed \$25.4 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

PGW's net OPEB liability as of August 31, 2024 was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. The valuation and measurement date were December 31, 2023.

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, level percent of pay 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 are set by prior actuary. The actuaries monitor demographic experience by decrement annually and have not observed significant gains or losses related to the demographic assumptions.
- *Economic assumptions:* the discount rate and health care cost trend rates.

Benefit Assumptions:

Per capita claims: Using actuarial standards, specifically Actuarial Standard of Practice No.6, Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions, the annual age specific per capita claims cost rate was projected at the following assumed trend rates for future years (whole U.S. dollars):

| Age | Medical | | |
|-----|----------|-------------------|--------|
| | Medical | Prescription drug | Dental |
| 50 | \$ 6,336 | 2,784 | 282 |
| 55 | 8,052 | 3,540 | 282 |
| 60 | 10,068 | 4,428 | 282 |
| 64 | 12,120 | 5,328 | 282 |
| 65 | 2,328 | 4,788 | 282 |
| 70 | 2,232 | 4,608 | 282 |
| 75 | 2,388 | 4,932 | 282 |

Life insurance: The claims cost for life insurance is based on the actuarial present value of projected life insurance claims.

Morbidity: The below healthcare cost for prescription drug coverage and pre-65 medical coverage reflects the following changes due to increased or decreased usage as a result of aging:

| Ages | Blended Medical/Rx |
|-------|-----------------------|
| 50–54 | 4.95 % |
| 55–59 | 4.76 |
| 60–64 | 4.64 |
| 65–69 | (1.06) |
| 70–74 | 1.09 |
| 75–79 | 1.71 |
| 80–84 | 1.87 |
| 85+ | — |

Demographic assumptions:

Mortality rates: Mortality rates for FY2024 is assumed to follow:

- Pre-retirement Mortality – Pri-2012 Total Employee Headcount Weighted Table, projected with SOA Scale MP-2021.
- Post-retirement Mortality – Pri-2012 Total Retiree Headcount Weighted Table, Projected with SOA Scale MP-2021.

Salary Scale: Salary Scale is based on years of service as follows:

| Years of service | Annual increase | Years of service | Annual increase |
|---------------------|--------------------|---------------------|--------------------|
| 0 | 8.86 % | 11 | 5.84 % |
| 1 | 8.59 | 12 | 5.57 |
| 2 | 8.31 | 13 | 5.29 |
| 3 | 8.04 | 14 | 5.02 |
| 4 | 7.77 | 15 | 4.74 |
| 5 | 7.49 | 16 | 4.54 |
| 6 | 7.22 | 17 | 4.33 |
| 7 | 6.94 | 18 | 4.12 |
| 8 | 6.67 | 19 | 3.91 |
| 9 | 6.39 | 20 or more | 3.71 |
| 10 | 6.12 | | |

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 > 5 years |
|-------|---------------------|----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| 18-37 | 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 | 3.00 |
| 44 | 13.00 | 13.00 | 9.20 | 4.20 | 4.20 | 3.00 |
| 45 | 12.00 | 12.00 | 7.80 | 3.80 | 3.80 | 3.00 |
| 46 | 11.00 | 11.00 | 6.40 | 3.40 | 3.40 | 3.00 |
| 47 | 10.00 | 10.00 | 5.00 | 3.00 | 3.00 | 3.00 |
| 48 | 10.00 | 10.00 | 5.00 | 2.80 | 2.80 | 3.00 |
| 49 | 10.00 | 10.00 | 5.00 | 2.60 | 2.60 | 3.00 |
| 50 | 10.00 | 10.00 | 5.00 | 2.40 | 2.40 | 3.00 |
| 51 | 10.00 | 10.00 | 5.00 | 2.20 | 2.20 | 3.00 |
| 52+ | 10.00 | 10.00 | 5.00 | 2.00 | 2.00 | 3.00 |

Participation Rate: Participation assumes 100% of future retirees who meet the eligibility requirements will participate in the postemployment welfare plans upon retirement.

Disability rates: Disability rates vary by age with illustrative rates as follows:

| Age | Males | Females | Age | Males | Females |
|-------|--------|---------|-----|--------|---------|
| 18-27 | 0.03 % | 0.03 % | 47 | 0.23 % | 0.33 % |
| 28 | 0.03 | 0.04 | 48 | 0.28 | 0.37 |
| 29 | 0.03 | 0.04 | 49 | 0.31 | 0.40 |
| 30 | 0.03 | 0.04 | 50 | 0.37 | 0.45 |
| 31 | 0.03 | 0.06 | 51 | 0.43 | 0.49 |
| 32 | 0.03 | 0.06 | 52 | 0.51 | 0.55 |
| 33 | 0.03 | 0.07 | 53 | 0.59 | 0.60 |
| 34 | 0.03 | 0.07 | 54 | 0.68 | 0.66 |
| 35 | 0.04 | 0.08 | 55 | 0.77 | 0.71 |
| 36 | 0.04 | 0.09 | 56 | 0.86 | 0.77 |
| 37 | 0.06 | 0.10 | 57 | 0.96 | 0.83 |
| 38 | 0.07 | 0.11 | 58 | 1.06 | 0.89 |
| 39 | 0.08 | 0.13 | 59 | 1.17 | 0.95 |
| 40 | 0.09 | 0.14 | 60 | 1.28 | 1.00 |
| 41 | 0.10 | 0.17 | 61 | 1.40 | 1.07 |
| 42 | 0.11 | 0.19 | 62 | 1.54 | 1.13 |
| 43 | 0.13 | 0.21 | 63 | 1.68 | 1.17 |
| 44 | 0.16 | 0.25 | 64 | 1.83 | 1.22 |
| 45 | 0.18 | 0.27 | 65+ | — | — |
| 46 | 0.20 | 0.30 | | | |

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 expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected 10-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions). The target allocation for each major asset class as of December 31, 2023 is summarized in the following table:

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Exhibit XIII

| Asset class | Minimum | Maximum | Target | Expected annual return |
|---------------------------|---------|---------|----------------|------------------------|
| Domestic equity large cap | 27.5 % | 37.5 % | 32.5 % | 7.0 % |
| Domestic equity small cap | 10.0 | 15.0 | 12.5 | 7.2 |
| Emerging market equity | 5.0 | 10.0 | 7.5 | 8.8 |
| International equity | 15.0 | 20.0 | 17.5 | 9.2 |
| Fixed income | 10.0 | 45.0 | 30.0 | 5.3 |
| Commodities/real assets | — | 10.0 | — | 3.8 |
| Cash equivalents | — | 5.0 | — | 2.5 |
| | | | <u>100.0 %</u> | |

Inflation Rate: 2.5%

Healthcare cost trend:

| Year | Medical (Pre-65) | Medical (Post-65) | Prescription drugs | Dental/Vision |
|-----------|------------------|-------------------|--------------------|---------------|
| 2024 | 7.50 % | 4.50 % | 9.50 % | 3.75%/2.50% |
| 2025 | 7.00 | 4.50 | 9.00 | 3.75/2.50 |
| 2026 | 6.20 | 4.50 | 8.50 | 3.75/2.50 |
| 2027 | 5.60 | 4.50 | 8.00 | 3.75/2.50 |
| 2028 | 5.50 | 4.50 | 7.50 | 3.75/2.50 |
| 2029 | 5.40 | 4.50 | 7.00 | 3.75/2.50 |
| 2030-2034 | 5.25 | 4.50 | 6.50 | 3.75/2.50 |
| 2035-2049 | 4.60 | 4.50 | 6.00 | 3.75/2.50 |
| 2050-2064 | 4.50 | 4.50 | 5.50 | 3.75/2.50 |
| 2065-2074 | 4.25 | 4.50 | 4.50 | 3.75/2.50 |
| 2075+ | 4.00 | 4.50 | 4.00 | 3.75/2.50 |

Discount rate: The discount rate used for determining the total OPEB Liability is the long-term expected rate of return on plan investments of 7.0% as of December 31, 2023, which represents the long-term expected rate of return on Plan investments at the applicable measurement date.

Changes in Net OPEB Liability

(Thousands of U.S. dollars)

| | | Increase (decrease) | |
|--|--------------------------|---------------------------------|----------------------------|
| | Total OPEB liability (a) | Plan fiduciary net position (b) | Net OPEB liability (a)-(b) |
| Balances at September 1, 2023 | \$ 529,342 | 320,636 | 208,706 |
| Changes for the year: | | | |
| Service cost | 6,030 | | 6,030 |
| Interest | 36,604 | | 36,604 |
| Differences between expected and actual experience | (72,157) | | (72,157) |
| Assumption changes | 33,158 | | 33,158 |
| Benefit payments | (25,356) | | (25,356) |
| Contributions-employer | — | 43,856 | (43,856) |
| Project investment agree on year | — | 86,610 | (86,610) |
| Plan asset gain/(loss) | — | (31,763) | 31,763 |
| Benefit payments | — | (25,356) | 25,356 |
| Administrative expenses and bank fees | — | (69) | 69 |
| Net changes | (21,721) | 73,278 | (94,999) |
| Balances at August 31, 2024 | \$ 507,621 | 393,914 | 113,707 |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Net OPEB liability, in thousands of U.S. Dollars, of PGW at December 31, 2023, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

| | 1% Decrease 6.00% | Current discount rate 7.00% | 1% Increase 8.00% |
|--------------------|----------------------|-----------------------------------|----------------------|
| Net OPEB liability | \$ 183,341 | 113,707 | 56,800 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents Net OPEB liability, in thousands of U.S. dollars, of PGW at December 31, 2023, as well as what the Net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

| | 1% Decrease | Current healthcare cost trend rates | 1% Increase |
|--------------------|-------------|---|-------------|
| Net OPEB liability | \$ 57,465 | 113,707 | 183,108 |

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 year ended August 31, 2024, PGW recognized OPEB expense of \$1.1 million. At August 31, 2024, PGW 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, 2024 | |
|---|--------------------------------------|-------------------------------------|
| | Deferred outflows of resources | Deferred inflows of resources |
| Differences between expected and actual experience | \$ 467 | 80,078 |
| Changes of assumptions | 42,492 | 2,076 |
| Difference between projected and actual earnings on OPEB plan investments | 16,491 | — |
| Contributions made after measurement date | 32,133 | — |
| Total | \$ 91,583 | 82,154 |

The \$32.1 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2023, will be recognized as a reduction of the net OPEB liability in FY 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (thousands of U.S. dollars):

| | |
|--------------|------------|
| Fiscal year: | |
| 2025 | \$ (4,612) |
| 2026 | (146) |
| 2027 | 3,535 |
| 2028 | (13,394) |
| 2029 | (6,230) |
| Thereafter | (1,857) |

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, 2023, (thousands of U.S. Dollars):

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|------------|---------|---------|---------|
| Domestic equity mutual funds | \$ 186,010 | — | — | 186,010 |
| International equity mutual funds | 98,054 | — | — | 98,054 |
| Corporate bonds | — | 515 | — | 515 |
| U.S. treasuries | 7,715 | — | — | 7,715 |
| U.S. government agency | — | 1,535 | — | 1,535 |
| Bond mutual funds | 79,911 | — | — | 79,911 |
| Municipal bonds – mutual funds | 20,132 | — | — | 20,132 |
| Total investments, at fair value | \$ 391,822 | 2,050 | — | 393,872 |

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):

| | Target | Actual |
|---------------------------------------|--------|--------|
| Domestic equity large cap | 32.5 % | 33.3 % |
| Domestic equity small cap | 12.5 | 13.8 |
| Emerging market international equity | 7.5 | 7.2 |
| Developed market international equity | 17.5 | 17.5 |
| Fixed income | 30.0 | 27.7 |
| Cash and cash equivalents | — | 0.5 |

Rate of Return

For the year ended December 31, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 16.64%. 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 cash and cash equivalents held by the trust at December 31, 2023 were not 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, 2023, 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 Europe Growth R6 Fund, Vanguard Total Stock Market Index Fund, Vanguard Total Bond Market Index Fund, Baird Core Bond Fund, and MainStay MacKay High Yield Fund.

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

PICA, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, PICA was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, PICA is administered by a governing Board consisting of five voting members and two ex officio non-voting members. The Governor of Pennsylvania, the President Pro Tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member to the Board.

The Act provides that, upon PICA's approval of a request of the City to PICA for financial assistance, PICA shall have certain financial and oversight functions. First, PICA shall have the power to issue bonds and grant or lend the proceeds thereof to the City. Second, PICA also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City and to certify noncompliance by the City with its then-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. As of June 30, 2024 there are no outstanding **PICA** bonds. In Fiscal 2024 this transfer amounted to \$705.5 million.

5. RELATED PARTY TRANSACTIONS

The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of \$109.6 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments which totaled \$162.5 million during the year to the following organizations:

- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- The Philadelphia City Fund

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Workers' Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage. The City is self-

insured for medical benefits provided to employees in the Fraternal Order of Police, its city-administered health plan, the International Association of Fire Fighters and District Council 47.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claim expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, 2024 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, 2022 resulted from the following:

(Amounts in Millions of USD)

| | <u>Beginning Liability</u> | <u>Current Year Claims & Changes In Estimates</u> | <u>Claim Payments</u> | <u>Ending Liability</u> |
|-------------|----------------------------|---|-----------------------|-------------------------|
| Fiscal 2024 | \$ 410.1 | \$ 358.9 | \$ (278.6) | \$ 490.4 |
| Fiscal 2023 | 449.3 | 246.4 | (285.6) | 410.1 |
| Fiscal 2022 | 490.4 | 194.1 | (235.2) | 449.3 |

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 \$1.8 million for Unemployment Compensation claims and \$100.7 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$324.3 million discounted at 4.0%. On an undiscounted basis, these liabilities total \$436.7 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 \$284.7 million (discounted) and \$386.4 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 \$0.5 million. The perils of Windstorm, Flood & Earthquake are subject to a \$1.0 million deductible 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 \$146.9 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.

Additionally, **PGW** and **PPA** are self-insured for various risks. At the end of FY 2024, the amount of these liabilities totaled \$164.9 million, which includes \$146.9 million for **SDP**, \$8.8 million for **PGW**, and \$9.2 million for **PPA**. Changes in the balance 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> |
|--------------------|----------------------------|---|-----------------------|-------------------------|
| 2024 | \$ 154.4 | \$ 267.7 | \$ (257.2) | \$ 164.9 |
| 2023 | \$ 154.2 | \$ 240.1 | \$ (239.9) | \$ 154.4 |

7. COMMITMENTS

A. PRIMARY GOVERNMENT

Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amounts of open encumbrances for both, the current and prior fiscal years, were as follows:

(Amounts in Thousands of USD)

| <u>Fund</u> | <u>Amounts</u> |
|----------------------------------|---------------------|
| General Fund | \$ 615,507 |
| Grants Revenue Fund | 456,388 |
| Community Behavioral Health Fund | 62,391 |
| Water Enterprise Fund | 1,122,613 |
| Aviation Enterprise Fund | 337,979 |
| Non-Major Governmental Funds | 567,218 |
| Total | <u>\$ 3,162,096</u> |

B. COMPONENT UNITS

1) SDP

Capital Projects Fund Construction and Equipment Purchase Commitments:

The School District's outstanding contractual commitments at June 30, 2024 are summarized as follows:

| | |
|------------------------------------|----------------------|
| New Buildings and Additions | \$ 1,626,145 |
| Environmental Management | 93,708 |
| Alterations and Improvements | 11,082,343 |
| Major/Building Renovations | 2,975,161 |
| Technology and Operations Projects | <u>7,219,402</u> |
| Total | <u>\$ 22,996,759</u> |

Operating Fund Services and Supplies Commitments:

Outstanding contractual commitments in the School District's operating funds at June 30, 2024 are as follows:

| | <u>General Fund</u> | <u>Intermediate Unit Fund</u> |
|-----------------------|---------------------|-------------------------------|
| Services and Supplies | \$179,320,364 | \$3,435,938 |

Categorical Fund Commitments:

Categorical Funds encumbrances totaled \$59.0 million at June 30, 2024.

2) PGW

Commitments for major construction and maintenance contracts were approximately \$117.0 million as of August 31, 2024.

PGW, 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. PGW's cumulative obligations for demand charges for all these services are approximately \$5.9 million per month in perpetuity.

PGW has entered into long-term and seasonal contracts with suppliers providing PGW with natural gas. PGW has the ability to fix the price of the purchase of natural gas with these contracts.

PGW's FY 2024 Capital Budget was approved by City Council in the amount of \$192.4 million. Within this approval, funding was provided to continue the implementation of an 18-mile CIMR Program. The cost for this program in FY 2024 is expected to be \$31.5 million. The total six-year cost of the CIMR Program is forecasted to be \$193.9 million. In addition to the 18-mile CIMR Program, the FY 2024 Capital Budget includes funding for an accelerated CIMR Program which PGW will include in its DSIC surcharge. This incremental program in FY 2024 is expected to cost \$41.0 million. The total six-year cost of this incremental program is forecasted to be \$246.0 million. The FY 2024 Capital Budget also includes \$1.2 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 \$1.8 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 Department, 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 \$464.2 million. Of this amount, \$40.7 million is charged to the current operations of Enterprise Funds. The remaining \$423.5 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 \$190.7 million from the General Fund, \$4.5 million from the Water Fund, and \$0.6 million from the Aviation Fund. This represents the best estimate of the entire current inventory of such litigation and pre-suits as of February 10, 2025.

Significant cases included in the current litigation against the City are as follows:

Henderson 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 "Trial 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. On November 12, 2020, the City filed an appeal to the damage award to the Trial Court raising objections, as a matter of law, to the Report. The Trial Court then asked the parties to brief the issue respecting the preliminary determination of whether the Report issued by the Board was legally erroneous. On November 9, 2021, after multiple rounds of briefing, the Trial Court issued an order overruling the City's objections. The City filed a timely notice of appeal to the Commonwealth Court, and the Hendersons filed a Motion to Quash the appeal as interlocutory. The Commonwealth Court ordered that the Motion to Quash be listed with merits of the appeal. The Trial Court has stayed the action pending disposition of the City's appeal in the Commonwealth Court. On December 7, 2023, the Commonwealth Court issued an order granting the Hendersons' application to quash the City's appeal. On January 8, 2024, the City filed a petition for allowance of appeal before the Commonwealth's Supreme Court. The Supreme Court of Pennsylvania has agreed to hear the case, and a briefing schedule has been set. The City is represented by outside counsel Dilworth Paxson, LLP. A payout related to this matter, if any, will be coming out of the Aviation fund and deemed a possible loss.

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 over five years (last communication was in July of 2018).

James Dennis v. City of Philadelphia

Mr. Dennis has filed a 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 third-degree murder rather than going to trial again. Mr. Dennis is represented by Paul Messing, an experienced civil rights attorney. This case was tried to verdict in E.D.Pa. in April 2024. While the City was dismissed on Rule 50 motion, verdict was reached against the individual defendants. The jury awarded \$10 million in compensatory damages, and \$6 million in punitive damages. The case is being appealed, but should the appeal be unsuccessful the damages will exceed \$8 million.

Oniyah v. City of Philadelphia, No. 22-1556

Mr. Oniyah was convicted of murder and spent nearly ten years in prison before his conviction was vacated and nolle prosequi. He alleges that Detective James Pitts coerced his confession to that murder, and his allegations form the basis of criminal charges that issued against Detective Pitts in late February 2022. Former Detective Pitts was convicted of his charged crimes and awaits sentencing. Given the length of time Mr. Oniyah spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Hicks v. City of Philadelphia (22-977)

Termaine Hicks was convicted of rape and spent 18 years in prison before his conviction was vacated. A complaint was filed in mid-March 2022. Though the case has gone through discovery and motions for summary judgement are pending. Should the case proceed to trial, given the length of time Mr. Hicks spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Swainson v. City of Philadelphia (22-2163)

Andrew Swainson was convicted of murder and spent 32 years in prison before his conviction was vacated. A complaint was filed recently, in June 2022 and the case has proceeded through discovery. Should the case proceed to trial, given the length of time Mr. Swainson spent in custody, damages, while difficult to calculate, could exceed \$8 million.

Martinez v. City of Philadelphia 22-3437

Antonio Martinez (a.k.a. Pedro Alicia) was convicted of murder and spent 31 years in prison before his conviction was vacated. The plaintiff has filed a suit in federal court and is represented by experienced civil rights attorneys. Discovery is coming to a close and the Defendants will be motions for summary judgement. Given the length of time Mr. Martinez spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Crosland v. City of Philadelphia 22-2416

Curtis Crosland was convicted of murder and spent 32 years in prison before his conviction was vacated. Plaintiff has filed a suit in federal court and is represented by experienced civil rights attorneys. Discovery is closed and motions for summary judgement have been filed. Given the length of time Mr. Crosland spent in custody, damage, while difficult to calculate at this early stage, could exceed \$8 million.

Coulston v. City of Philadelphia, EDPA 23-4077

Troy Coulston was convicted of the murder of Michael Haynesworth and spent nearly 30 years in custody before his convictions were overturned. Coulston is suing the City and individual former detectives, and their estates, for malicious prosecution, fabrication of evidence, concealment of exculpatory evidence, and municipal liability. Given the length of time that Mr. Coulston spent in custody, damages, while difficult to calculate, could exceed \$8 million.

Paul Satterfield V. Phila. District Attorney's Office, EDPA 24-0484

Satterfield is suing detectives, as well as ADA Sandy Byrd and the District Attorney's Office for malicious prosecution and due process violations arising from the 1983 murder of William Bryant. According to the complaint, Satterfield was largely convicted on a confession he allegedly gave a man whose wife Satterfield was involved in, detectives failed to put in the affidavit of probable cause the failed identifications (and disparate descriptions) of eyewitnesses, and the ADA's notes evinced an intent to exclude young men from the jury. The complaint alleges 38 years of wrongful incarceration. Given the length of time Mr. Satterfield spent in custody, damages, while difficult to calculate, could exceed \$8 million.

Bruce Murray V. City of Philadelphia, EDPA 24-1017

Bruce Murray was convicted of murder and served approximately 40 years in prison before his conviction was vacated. Plaintiff filed a suit in federal court and is represented by experienced civil rights attorneys. Mr. Murray alleges that his 40-year incarceration was a direct result of the individual Defendants' fabrication of evidence, malicious prosecution, and intentional suppression of exculpatory evidence. He also alleges that the City of Philadelphia's widespread pattern and practice of fabricating evidence, withholding exculpatory evidence, failing to adequately train officers, and failing to investigate and discipline officer misconduct and its deliberate indifference to such misconduct was the moving force behind his constitutional violations. Given the length of time Mr. Murray spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million. Since our last report Bruce Murray's co-defendant, Gregory Holden, has likewise filed a suit and requested that his case be consolidated with Bruce Murray's. The federal judge granted that request over Defendants' objections. Holden's damages could separately exceed \$8 million due to the nature of the claims and the time Holden spent in custody.

Harold Staten v. City of Philadelphia, EDPA 24-1380

Harold Staten was convicted of murder and served approximately 38 years in prison before his conviction was vacated. Plaintiff filed a suit in federal court and is represented by experienced civil rights attorneys. Given the length of time Mr. Staten spent in custody, damages, while difficult to calculate, could exceed \$8 million.

Naeem Waller v. City of Philadelphia, EDPA 24-2235

Naeem Waller was convicted of murder and served approximately 20 years in prison before his conviction was vacated. Plaintiff filed suit in federal court and is represented by experienced civil rights attorneys. Given the length of time Mr. Waller spent in custody, damages, while difficult to calculate, could exceed \$8 million.

Kevin Bowman v. City of Philadelphia, C.P. Phila Co. (231102648)

Kevin Bowman was convicted of murder and served approximately 34 years in prison before his conviction was vacated. The plaintiff filed a suit in state court. Given the length of time Mr. Bowman spent in custody, damages, while difficult to calculate, could exceed \$8 million.

India Spellman v. City of Philadelphia, EDPA 23-3342

India Spellman was convicted of murder that occurred when she was 17 years old and served approximately 10 years in prison before her conviction was overturned. She is represented by experienced civil rights attorneys. Detective Pitts was involved in the homicide investigation that led to Spellman's arrest and conviction. Spellman alleges that she was questioned by police without a parent present and physically abused during the course of that interview. Given the length of time Ms. Spellman spent in custody, along with the allegations in the case, damages, while difficult to calculate, could exceed \$8 million.

William Johnson v. City of Philadelphia, EDPA 24-0036

William Johnson was convicted of the murder of an off-duty police officer and served approximately 15 years in prison before his conviction was overturned, in part based on subsequent DNA testing. Plaintiff is represented by experienced civil rights attorneys. Given the length of time Mr. Johnson spent in custody, along with the allegations in the case, damages, while difficult to calculate, could exceed \$8 million.

Steven Lazar v. City of Philadelphia, EDPA 24-0907

Steven Lazar was convicted of a brutal axe murder of a Philadelphia Police Officer's father and served approximately 15 years in prison before his conviction was overturned. He is represented by experienced civil rights attorneys. Mr. Lazar alleges that he was held and questioned for over 30 hours while going through withdrawal before providing a statement to the police. Given the length of time Mr. Lazar spent in custody, along with the allegations in the case, damages, while difficult to calculate, could exceed \$8 million.

Eduardo Ramirez v. City of Philadelphia, EDPA 24-3035

Eduardo Ramirez was convicted of the brutal murder of laundromat worker Joyce Dennis and served 27 years in prison before his conviction was overturned. He is represented by experienced civil rights attorneys. Plaintiff contends that subsequent DNA testing has exonerated him of the crime. Given the length of time Mr. Ramirez spent in custody, along with the allegations in the case, damages, while difficult to calculate, could exceed \$8 million.

Charles Rice v. City of Philadelphia, EDPA 24-4882

Charles Rice was convicted of a quadruple shooting, including a six-year-old victim, and served 12 years in prison before his conviction was overturned. He is represented by experienced civil rights attorneys. Mr. Rice's case received a considerable amount of media attention due to articles published by CNN's Jake Tapper. Tapper's father was Mr. Rice's treating physician and testified at post-trial hearings that Mr. Rice was recovering from a gunshot wound at the time of the shooting in question and could not have physically committed the shooting. Given the length of time Mr. Rice spent in custody, along with the allegations in the case, damages, while difficult to calculate, could exceed \$8 million.

Raheem Collins v. City of Philadelphia, EDPA 24-6920

Raheem Collins was convicted of shooting and paralyzing a six-year-old child and served approximately 19 years in prison before his conviction was overturned. He is represented by experienced civil rights attorneys. Given the length of time Mr. Collins spent in custody, along with the allegations in the case, damages, while difficult to calculate, could exceed \$8 million.

James Kelly v. City of Philadelphia, EDPA 24-6701

James Kelly was convicted of murder and served approximately 29 years in prison before his conviction was overturned. He is represented by experienced civil rights attorneys. Given the length of time Mr. Kelly spent in custody, along with the allegations in the case, damages, while difficult to calculate, could exceed \$8 million.

Montrell Oliver v. City of Philadelphia, ED PA 25-197

Montrell Oliver was convicted of murder as a juvenile and served 26 years in prison before he was released following a resentencing hearing that occurred due to his status as a juvenile lifer. Mr. Oliver's conviction was then overturned two years after his release. He is represented by experienced civil rights attorneys. Given the length of time Mr. Oliver spent in custody, along with the allegations in the case, damages, while difficult to calculate, could exceed \$8 million.

Vincent Wallace v. City of Philadelphia, EDPA 25-290

Vincent Wallace was convicted of murder and served 14 years in prison before his conviction was overturned. He is represented by experienced civil rights attorneys. Wallace alleges that misconduct and coercion by former Detective James Pitts led to his conviction. Former Detective Pitts was convicted of his charged crimes and awaits sentencing. Given the length of time Mr. Wallace spent in custody, along with the allegations in the case, damages, while difficult to calculate, could exceed \$8 million.

Zoll Medication Corporation v. Philadelphia, et al

The City was served in the case of Zoll Medical Corporation v. Philadelphia et al. (Doc # 2024 -02010). The taxpayer challenges its Business Income and Receipts Tax liability, claiming (i) that the City's single sales factor apportionment is not statutorily authorized and (ii) that the small business exemption of the first \$100,000 of receipts from the tax (equally applicable to all taxpayers) violates the Uniformity Clause of the Pennsylvania Constitution. The City's Preliminary Objections to Plaintiff's Amended Complaint were sustained in part and overruled in part on January 17, 2025. An Answer to the Amended Complaint is being finalized for filing. Settlement discussions with Plaintiff's counsel are ongoing. If the Court orders refund down the line, the remedy in this case could be an order to refund a material amount of BIRT.

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 2020, 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, 2024, the City of Philadelphia has provided approximately \$13.4 million in funds in its role as guarantor of these bonds. The 1999A Indenture provides for the Authority to repay the City for any funds paid by the City as a result of its guarantee. In the event of a sale of the parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The current portion is \$1,035,000 as of March 31, 2024. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of \$5.68 million at March 31, 2024.

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, 2024, which accounted for \$891.92 million for all open programs as of November 30, 2024. Of this amount, \$719.45 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2024. \$171.95 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the years ended June 30, 2023 and prior, and \$0.52 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, were 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, 2023, the Grants Revenue Fund had \$181.5 million receivable for the Children and Youth Programs. In FY 2024, the Grants Revenue Fund had expenditures totaling \$603.2 million and revenue totaling \$265.4 million. At June 30, 2024, the Grants Revenue Fund had \$486.4 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.

B. COMPONENT UNITS

1) Claims and Litigation

SDP

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 five hundred ninety-one (591) open special education matters, including due process matters, at various stages of the administrative process against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.0 million.

These five hundred ninety-one (591) matters represent administrative due process hearings and appeals to the state appeals panel pending against the School District. These matters specifically involve claims by parents alleging breaches by the School District of its obligation to provide a Free and Appropriate Public Education to students under federal and state civil rights laws, including the Individuals with Disabilities Education Act ("IDEA"), Section 504 of the Rehabilitation Act, Americans with Disabilities Act, and federal anti-discrimination laws. In the opinion of the General Counsel of the School District, the five hundred ninety-one (591) unfavorable outcomes are deemed probable in the aggregate of \$4.0 million, but none of which individually reaches the materiality threshold.

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 \$42.7 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, there are pending commercial lawsuits against the School District which are deemed reasonably possible in the aggregate amount of \$1.4 million. In addition, there are compromised settlements or unfavorable outcomes deemed reasonably possible in the amount of \$1.1 million in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable and reasonably possible in the aggregate amounts of \$4.9 million and \$8.8 million, respectively, arising from personal injury and property damage claims and lawsuits.

Administrative Appeals in Pennsylvania Department of Education

There are two sets of administrative actions pending before the Pennsylvania Department of Education (PDE) or on appeal to the Commonwealth Court. Between these two sets of actions, originally 15 brick and mortar and cyber charter schools claimed that PDE impermissibly permits the School District (and all school districts) to deduct amounts constituting expenditures of federal funds, prekindergarten expenses, and certain portions of the Ready to Learn grant funds from total expenditures when calculating per-pupil rates and those deductions are not expressly permitted under the Charter School Law. Some of the administrative matters had originated in actions brought by the charter schools against the School District and PDE in the Commonwealth Court. The Commonwealth Court in *Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., 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 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 the charter schools involved in Set 1, there were 12 docketed matters before PDE related to the 2015-2016 school year, and 13 docketed matters related to the 2016-2017 school year. After a 7-day hearing and briefing, in November 2022, the Secretary issued a decision in favor of the School District in Set 1 regarding the rates used for the 2015-2016 and 2016-2017 school years, a significant win for the School District and all districts in Pennsylvania. Five of the eight charter schools in Set 1 appealed the Secretary's decision to Commonwealth Court ("Commonwealth Court Appeals"), although three of the five charter schools have since withdrawn their appeals as a result of a Release and Settlement Agreement with the School District, as discussed below, which did not result in the School District paying any funds related to the claims being litigated in the Commonwealth Court Appeal. The Commonwealth Court Appeals filed by the remaining two charter schools have been consolidated. Argument before Commonwealth Court en banc was held on September 11, 2024, and the parties are awaiting a decision.

PDE has stayed the remaining administrative actions in Set 2 ("PDE Appeals") while the Commonwealth Court Appeals move forward. The amounts at issue are: (i) in excess of \$10.7 million for the 2015-16 school year; (ii) in excess of \$8.5 million for the 2016-17 school year; and (iii) in excess of \$6.4 million for the 2017-18 school year. A few of these charter schools have also, more recently, unsuccessfully sought withholdings for subsequent school years on the same basis, and those matters would also be included within the pending PDE Appeals. 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 detailed above is reasonably possible.

In addition, to the above matters, the **SDP** is involved in a pending government investigation and at this time it is not reasonably possible to determine if the outcome could result in a settlement or unfavorable verdict above the materiality threshold.

PGW

PGW's material legal proceedings are as described below. PGW 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. PGW 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. 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. The parties' briefs were filed in September/October of 2021. Oral argument took place on February 7, 2022 before the Commonwealth Court, and on March 16, 2022 the Commonwealth

Court held that PGW II applies retroactively only to the parties of PGW II as well as other proceeding pending at the time PGW II was decided on April 28, 2021. The Commonwealth Court remanded the proceeding to the Commission for a determination of the correct amounts.

Upon remand to the Commission, PGW filed a motion to dismiss the issue related to the amounts due on docketed liens. PGW argued that the amount due on docketed liens (which are judgments according to PGW II) are outside of the Commission's jurisdiction. In response, SBG argued that it is proper for the Commission to determine how much SBG was overcharged. The motion was argued before the Administrative Law Judge (the "ALJ") on November 8, 2022. An evidentiary hearing was scheduled for January 19, 2023. The ALJ issued an initial decision on July 26, 2024. Exceptions to the initial decision were separately filed by PGW and SBG on August 16, 2024. Replies to the Exceptions were filed on August 26, 2024. The initial decision (along with the Exception and Replies) will be reviewed by the full Commission. It is impossible to determine when final decision by the PUC will be rendered.

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 UTPCPL (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 the causes of action raised in the complaint. Additionally, on September 13, 2021 PGW filed Preliminary Objections with the Court. On January 20, 2022, the Court issued an order in response to PGW's Preliminary Objections, dismissing two of SBG's claim with prejudice (fraud and unfair trade practices), and dismissing a third claim (breach of contract) without prejudice, and leave to SBG to amend its complaint. SBG has subsequently filed multiple amended complaints including a Third Amended Complaint ("TAC"). The TAC asserts claim of breach of contract (Count 1) and unjust enrichment (Count II). PGW responded by filing preliminary objections to the TAC. On August 10, 2022, the Court sustained one of PGW's preliminary objections and dismissed the nine other property owners. PGW's other preliminary objections were overruled. PGW filed an answer with new matter on August 30, 2022. SBG's reply was filed on September 23, 2022. PGW has also filed a motion for summary judgement on the ground that all or most of SBG's claims are barred by the applicable statutes of limitations. That motion was denied by the Court on September 3, 2024. Under the Court's Revised Case Management Order, the case will be ready for trial on or after January 1, 2024. However, the court has not held a pre-trial conference for this case and has not scheduled a date for the evidentiary hearing.

SBG Management Services, Inc. et al., Plaintiffs v. City of Philadelphia c/o Philadelphia Gas Works, et al., Defendant, Philadelphia Court of Common Pleas Docket No. 231101740; Commonwealth Court Docket No. 380 CD 2024

SBG Management Services, Inc., the five landlords with active gas accounts who are involved in the previously described litigation (Pennsylvania Supreme Court Docket No. 14 EAP 2020, et al.) (collectively "SBG") instituted this new litigation in the Philadelphia Court of Common Pleas via a Complaint in Equity on November 15, 2023 ("Injunction Action"). The complaint alleges that PGW wrongfully terminated gas service to the landlords based upon disputed outstanding balances. At the same time, SBG filed a Petition for Temporary Injunctive Relief. That Petition seeks to enjoin PGW from enforcing shut-off notices for allegedly unpaid outstanding balances.

On November 17, 2023, the Court held a hearing on the Petition for Temporary Injunctive Relief. PGW restored gas to all five properties as of 10:00 p.m. on November 17, 2023. The Court entered an order on November 17, 2023 directing, among other things, that the parties engage in mediation. On February 25, 2024, the Court entered another Order prohibiting PGW from terminating gas service at the Landlord properties that were Plaintiffs in the Injunction Action until further order of the Court.

PGW subsequently exercised its right to appeal the Common Pleas Court's February 25th Order to the Commonwealth Court (Docket No. 380 CD 2024) alleging that the issues raised in the Injunction Action are within the exclusive or primary jurisdiction of the Commission. PGW's main brief was filed on July 23, 2024. SBG's main brief was dated August 23, 2024. PGW's reply brief is due on September 5, 2024. Argument has not been scheduled by the Commonwealth Court. By motion of PGW, which was not opposed by the Plaintiffs, the Court stayed all further proceedings in the injunction Action pending the outcome of the Commonwealth Court appeal.

The pleadings remain open. PGW filed preliminary objections to the Complaint in the Injunction Action on December 6, 2023. The preliminary objections allege, among other things, that the issues raised in the Injunction Action are within the exclusive or primary jurisdiction of the Commission. SBG's response to the preliminary objections was filed on March 18, 2024. The Court's decision on the Preliminary objections is stayed pending the outcome of the Commonwealth Court appeal, as noted.

As part of the Injunction Action, SBG has alleged it is owed an unquantified amount of damages for alleged constitutional violations and violations of the Public Utility Code. Additionally, the relief requested by SBG is that PGW be enjoined from terminating service to SBG for non-payment in the future, and as such PGW would be forced to forgo terminating service to the subject properties in an effort to collect unpaid gas bills. PGW has not filed an Answer to the Injunction Action, since PGW's preliminary objections are pending, as noted.

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Philadelphia Gas Works. Docket No. C-2019-3013933

On December 19, 2019, an explosion occurred on the 1400 Block of South Eighth Street in Philadelphia that resulted in two fatalities. The Commission's Bureau of Investigation and Enforcement ("BI&E") conducted an investigation, leading to a formal complaint being filed on July 15, 2022. Following partial litigation of the matter, a settlement was reached with BI&E that resulted in no civil penalty but included the creation of Residential Methane Detector Pilot Program where PGW agreed to commit \$800,000 towards the implementation. The settlement also included various other actions by PGW, such as coordination and training with the excavator community that will create some additional but unquantified expenses. The settlement is pending final approval by the Commission.

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Philadelphia Gas Works. Docket No. C-2024-3052777

On November 30, 2021, an explosion occurred at 815 Jackson Street in Philadelphia which resulted in no fatalities or reported injuries. It is estimated that approximately \$100,000 in property damage occurred, but there were no civil claims associated with the event. On November 25, 2024, The Commission's BI&E filed a formal complaint alleging violations of the Public Utility Code, Pennsylvania Code, and Code of Federal Regulations and seeking relief including a \$300,000 civil penalty, creation of email distribution of safety materials to excavators, training to be offered to Excavators by PGW, expansion of the Methane Detector Pilot Program, and other relief. BI&E granted PGW an extension to file Answer to the Complaint, and PGW has not filed an answer to the Complaint to date.

9. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2024 through February 24, 2025. The following events are described below:

A. PRIMARY GOVERNMENT

- a. In November 2024, the City issued \$595.8 million in Water and Wastewater Revenue Bonds Series 2024C. The total proceeds were \$657.4 million (which includes a premium of \$61.6 million). The proceeds of the bonds were used to finance capital improvements to the City's Water and Wastewater Systems, a deposit to the Debt Reserve Account of the Sinking Fund, the current refunding of certain maturities of Water and Wastewater Revenue Bonds from Series 2015B to 2021B and pay the cost of issuance related to the bonds. Interest on the bonds range from 5.000% to 5.250% and is payable on March 1 and September 1 each year until maturity in 2054. The aggregate difference in debt service between the refunding debt and the refunded debt is \$27.0 million resulting in a net economic gain of \$18.6 million.
- b. In December 2024, **PRA** issued City Service Agreement Revenue Bonds Series 2024A&B in the amount of \$149.1 million. The total proceeds were \$151.3 million (which includes a premium of \$2.2 million). The proceeds of the bonds were used to finance certain costs of the Neighborhood Preservation Initiative and pay the cost of issuance related to the bonds. Interest on the bonds range from 4.503% to 5.226% and is payable on March 1 and September 1 each year until maturity in 2044.
- c. In January 2025, **PRA** issued City Service Agreement Revenue Refunding Bonds Series 2025A in the amount of \$68.8 million. The total proceeds were \$74.8 million (which includes a premium of \$6.0 million). The proceeds of the bonds, together with other available funds, were used to finance the current refunding of the Neighborhood Transformation Initiative Revenue Refunding Bonds Series 2015 and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on April 15 and October 15 each year

until maturity in 2031. The aggregate difference in debt service between the refunding debt and the refunded debt is \$6.4 million resulting in a net economic gain of \$5.7 million.

B. COMPONENT UNITS

1. PGW Subsequent Event:

a. Seventeenth Series Bonds (1998 Ordinance)

On September 18, 2024, the City issued Gas Works Revenue Bonds, Seventeenth Series A (1998 Ordinance) and Seventeenth Series B (1998 Ordinance) in the par amount of \$315.0 million and \$109.3 million, respectively.

The Seventeenth Series A Bonds, with fixed interest rates that range from approximately 5.0% to 5.3%, have maturity dates through 2054. The proceeds from the sale of Seventeenth Series A Bonds were issued a finance portion of PGW's ongoing Capital Improvement Program, pay the cost of issuing the bonds, and repayment of notes payable of \$35.0 million.

The Seventeenth Series B Bonds, with fixed interest rates of 5.0%, have maturity dates through 2034. The proceeds from the sale of the Seventeenth Series B Bonds were issued to refund the Fifth Series Bonds and partially refund \$88.6 million principal of the Thirteenth Series Bonds. The refunding removed the need for LOC fees related to the Fifth Series Bonds. The gain on the refunding component was \$2.0 million, which will be amortized over the life of the Seventeenth Series B Bonds.

b. Renewable Natural Gas

PGW, in collaboration with the Philadelphia Energy Authority (PEA) and the Philadelphia Water Department (PWD), is planning a multi-phase energy savings and renewable natural gas (RNG) green-energy credit monetization project. Leveraging PWD assets located at the Northeast Water Pollution Control Plant (3899 Richmond St.) and PGW's gas interconnection at this facility, the initiative aims to enhance operations, reduce environmental impacts, and bring to market the green-energy credits produced by City-owned assets. These credits will be monetized through the Midwest Renewable Energy Tracking System (MRETS), which allows for the creation and sale of vintage energy credits.

c. Pipeline and Hazardous Materials Safety Administration Grant

PGW has been provisionally awarded an additional \$40.0 million Natural Gas Distribution Infrastructure Safety and Modernization (NGDISM) grant from the U.S. Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA) established by President Biden's Bipartisan Infrastructure Law. This grant, combined with two other awards from PHMSA since 2022, will fund a \$125.0 million infrastructure plan. These grants will be paid as a reimbursement based on submitted documents of related expenses incurred.

2. PHA Subsequent Events:

a. Vehicle Lease

On April 7, 2017, PHA and Enterprise executed a contract whereby PHA will commence leasing vehicles from Enterprise for a term of 5 years. In fiscal 2025, PHA will lease replacement vehicles for vehicles that have reached a term of 5 years if appropriate. Therefore, for 2025, PHA will be replacing 80 vehicles with an estimated budget of \$4.0 million. This amount exceeds the normal rotation as PHA attempts to get back into the normal rotation cycle that was disrupted by COVID and post-COVID manufacturing delays and cancellations.

b. Acquisition of Limited Partnership Interest

In May 2024, PHA passed a resolution to acquire the partnership interest of the limited partner investor in Warnock Phase 1, LP, a discrete component unit of PHA. Pursuant to the terms negotiated with the Tax Credit Investor, the Partnership Interest shall be purchased by PHA or its affiliate for approximately \$10,000 plus any transfer taxes and transaction and legal costs associated with the acquisition. The transaction was completed in May 2024.

3. SDP Subsequent Events

a. Tax Revenue Anticipation Notes (TRAN)

In November 2024, 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 (TRAN), the Board of Education, through a resolution, authorized the issuance and sale of TRAN which was issued

as fixed rate notes in the aggregate principal amount of \$175.0 million with a maturity date of March 31, 2025. The Notes were issued for the purpose of financing the current operating expenses incurred during Fiscal Year 2025.

On November 21, 2024, the Board of Education authorized the issuance and sale of the TRAN Series 2024-2025 in the amount of \$175.0 million through a negotiated sale. The purchase was issued as fixed rate notes with a coupon of 3.9% and an effective yield of 3.9%. Notes proceeds were received on the closing date of November 26, 2024.



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, 2024

Exhibit XIV

Amounts in thousands of USD

| | Budgeted Amounts | | | Final Budget to Actual Positive (Negative) |
|--|------------------|-----------|-----------|---|
| | Original | Final | Actual* | |
| <u>Revenues</u> | | | | |
| Tax Revenue | 4,141,206 | 4,008,680 | 4,087,950 | 79,270 |
| Locally Generated Non-Tax Revenue | 386,733 | 408,609 | 456,326 | 47,717 |
| Revenue from Other Governments | 1,025,340 | 1,073,451 | 1,064,521 | (8,930) |
| Revenue from Other Funds | 458,835 | 454,830 | 454,778 | (52) |
| Total Revenues | 6,012,114 | 5,945,570 | 6,063,575 | 118,005 |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 2,167,983 | 2,175,010 | 2,038,411 | 136,599 |
| Pension Contributions | 868,190 | 958,500 | 958,500 | - |
| Other Employee Benefits | 792,806 | 701,131 | 704,928 | (3,797) |
| Sub-Total Employee Compensation | 3,828,979 | 3,834,641 | 3,701,839 | 132,802 |
| Purchase of Services | 1,380,127 | 1,433,705 | 1,360,420 | 73,285 |
| Materials and Supplies | 94,159 | 104,789 | 96,509 | 8,280 |
| Equipment | 50,931 | 106,355 | 93,079 | 13,276 |
| Contributions, Indemnities and Taxes | 425,194 | 467,601 | 452,529 | 15,072 |
| Debt Service | 201,632 | 201,632 | 189,138 | 12,494 |
| Payments to Other Funds | 147,032 | 241,221 | 241,221 | - |
| Advances, Subsidies, Miscellaneous | 67,360 | 65,200 | - | 65,200 |
| Total Expenditures and Encumbrances | 6,195,414 | 6,455,144 | 6,134,735 | 320,409 |
| Operating Surplus (Deficit) for the Year | (183,300) | (509,574) | (71,160) | 438,414 |
| Fund Balance Available for Appropriation, July 1, 2023 | 682,460 | 981,572 | 981,572 | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | 34,000 | 41,000 | 32,488 | (8,512) |
| Funding for Future Obligations | (4,500) | (4,500) | - | 4,500 |
| Adjusted Fund Balance, July 1, 2023 | 711,960 | 1,018,072 | 1,014,060 | (4,012) |
| Fund Balance Available for Appropriation, June 30, 2024 | 528,660 | 508,498 | 942,900 | 434,402 |

* 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, 2024

Exhibit XV

Amounts in thousands of USD

| | Budgeted Amounts | | | Final Budget to Actual Positive (Negative) |
|--|------------------|------------------|------------------|---|
| | Original | Final | Actual* | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | 10,500 | 15,710 | 22,420 | 6,710 |
| Revenue from Other Governments | <u>1,429,720</u> | <u>1,422,635</u> | <u>1,220,956</u> | <u>(201,679)</u> |
| Total Revenues | 1,440,220 | 1,438,345 | 1,243,376 | (194,969) |
| <u>Other Sources</u> | | | | |
| Increase in Unreimbursed Commitments | - | - | 12,134 | 12,134 |
| Increase in Financed Reserves | - | - | <u>(4,141)</u> | <u>(4,141)</u> |
| Total Revenues and Other Sources | <u>1,440,220</u> | <u>1,438,345</u> | <u>1,251,369</u> | <u>(186,976)</u> |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 620 | 620 | 331 | 289 |
| Purchase of Services | 1,439,500 | 1,439,500 | 1,312,812 | 126,688 |
| Payments to Other Funds | <u>100</u> | <u>100</u> | <u>43</u> | <u>57</u> |
| Total Expenditures and Encumbrances | <u>1,440,220</u> | <u>1,440,220</u> | <u>1,313,186</u> | <u>127,034</u> |
| Operating Surplus (Deficit) for the Year | <u>-</u> | <u>(1,875)</u> | <u>(61,817)</u> | <u>(59,942)</u> |
| Fund Balance Available for Appropriation, July 1, 2023 | - | 126,090 | 126,090 | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | - | - | 21,817 | 21,817 |
| Prior Period Adjustments | <u>-</u> | <u>(126,090)</u> | <u>-</u> | <u>126,090</u> |
| Adjusted Fund Balance, July 1, 2023 | <u>-</u> | <u>-</u> | <u>147,907</u> | <u>147,907</u> |
| Fund Balance Available for Appropriation, June 30, 2024 | <u>-</u> | <u>(1,875)</u> | <u>86,090</u> | <u>87,965</u> |

* Refer to the notes to required supplementary information.

City of Philadelphia
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2024

Exhibit XVI

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | | Final Budget to Actual Positive (Negative) |
|--|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | 116,087 | 119,386 | 96,006 | (23,380) |
| Revenue from Other Governments | <u>3,381,647</u> | <u>2,326,484</u> | <u>1,341,607</u> | <u>(984,877)</u> |
| Total Revenues | 3,497,734 | 2,445,870 | 1,437,613 | (1,008,257) |
| <u>Other Sources</u> | | | | |
| Increase in Unreimbursed Commitments | - | - | 36,344 | 36,344 |
| Increase in Financed Reserves | <u>-</u> | <u>-</u> | <u>(15,466)</u> | <u>(15,466)</u> |
| Total Revenues and Other Sources | <u>3,497,734</u> | <u>2,445,870</u> | <u>1,458,491</u> | <u>(987,379)</u> |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 252,098 | 266,582 | 164,902 | 101,680 |
| Pension Contributions | 21,880 | 65,755 | 53,955 | 11,800 |
| Other Employee Benefits | <u>85,167</u> | <u>60,751</u> | <u>35,603</u> | <u>25,148</u> |
| Sub-Total Employee Compensation | 359,145 | 393,088 | 254,460 | 138,628 |
| Purchase of Services | 1,605,951 | 1,547,321 | 1,024,648 | 522,673 |
| Materials and Supplies | 46,004 | 56,975 | 15,824 | 41,151 |
| Equipment | 34,476 | 40,579 | 7,814 | 32,765 |
| Contributions, Indemnities and Taxes | 1 | 2,564 | 2,564 | - |
| Payments to Other Funds | 452,157 | 457,387 | 433,826 | 23,561 |
| Advances, Subsidies, Miscellaneous | <u>1,000,000</u> | <u>712,289</u> | <u>-</u> | <u>712,289</u> |
| Total Expenditures and Encumbrances | <u>3,497,734</u> | <u>3,210,203</u> | <u>1,739,136</u> | <u>1,471,067</u> |
| Operating Surplus (Deficit) for the Year | <u>-</u> | <u>(764,333)</u> | <u>(280,645)</u> | <u>483,688</u> |
| Fund Balance Available for Appropriation, July 1, 2023 | - | (547,782) | (547,782) | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | - | - | 60,786 | 60,786 |
| Revenue Adjustments - Net | - | - | 14,216 | 14,216 |
| Prior Period Adjustments | <u>-</u> | <u>547,782</u> | <u>-</u> | <u>(547,782)</u> |
| Adjusted Fund Balance, July 1, 2023 | <u>-</u> | <u>-</u> | <u>(472,780)</u> | <u>(472,780)</u> |
| Fund Balance Available for Appropriation, June 30, 2024 | <u>-</u> | <u>(764,333)</u> | <u>(753,425)</u> | <u>10,908</u> |

City of Philadelphia
Required Supplementary Information
Other Post Employment Benefits (OPEB) and Pension Plans

City of Philadelphia - Schedule of Changes in Net OPEB Liability and Related Ratios (Amounts in thousands USD)

| | FYE 2023 | FYE 2022 | FYE 2021 | FYE 2020 | FYE 2019 | FYE 2018 | FYE 2017 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total OPEB Liability | | | | | | | |
| Service Cost (BOY) | 82,200 | 118,100 | 110,900 | 93,900 | 82,400 | 81,800 | 89,300 |
| Interest (includes interest on service cost) | 64,300 | 47,900 | 47,500 | 69,200 | 71,900 | 67,900 | 56,100 |
| Changes of benefit terms | - | - | - | - | - | - | - |
| Differences between expected and actual experience | - | (65,000) | - | 18,100 | - | 56,800 | - |
| Changes of assumptions | (15,400) | (354,300) | 8,300 | 75,300 | 54,000 | (147,800) | (105,600) |
| Benefit payments, including refunds of member contributions | (101,100) | (118,300) | (97,800) | (104,600) | (96,900) | (96,400) | (114,800) |
| Net change in total OPEB liability | 30,000 | (371,600) | 68,900 | 151,900 | 111,400 | (37,700) | (75,000) |
| Total OPEB liability - beginning | 1,784,500 | 2,156,100 | 2,087,200 | 1,935,300 | 1,823,900 | 1,861,600 | 1,936,600 |
| Total OPEB liability - ending | 1,814,500 | 1,784,500 | 2,156,100 | 2,087,200 | 1,935,300 | 1,823,900 | 1,861,600 |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | 101,100 | 118,300 | 97,800 | 104,600 | 96,900 | 96,400 | 114,800 |
| Contributions - non-employer | - | - | - | - | - | - | - |
| Contributions - member | - | - | - | - | - | - | - |
| Net investment income | - | - | - | - | - | - | - |
| Benefit payments, including refunds of member contributions | (101,100) | (118,300) | (97,800) | (104,600) | (96,900) | (96,400) | (114,800) |
| Administrative expense | - | - | - | - | - | - | - |
| Net change in plan fiduciary net position | - | - | - | - | - | - | - |
| Plan fiduciary net position - beginning | - | - | - | - | - | - | - |
| Plan fiduciary net position - ending | - | - | - | - | - | - | - |
| Net OPEB liability - ending | 1,814,500 | 1,784,500 | 2,156,100 | 2,087,200 | 1,935,300 | 1,823,900 | 1,861,600 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Covered-employee payroll | 1,993,000 | 1,921,100 | 1,886,500 | 1,921,200 | 1,842,600 | 1,805,400 | 1,744,700 |
| Net OPEB liability as a percentage of covered-employee payroll | 91.04% | 92.89% | 114.29% | 108.64% | 105.03% | 101.02% | 106.70% |

Note: There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan. 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 2024 | FYE 2023 | FYE 2022 | FYE 2021 | FYE 2020 | FYE 2019 | FYE 2018 | FYE 2017 | FYE 2016 | FYE 2015 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Pension Liability | | | | | | | | | | |
| Service Cost (MOY) | 195,726 | 191,726 | 186,294 | 187,598 | 190,457 | 183,756 | 164,137 | 157,607 | 148,370 | 143,556 |
| Interest (includes interest on service cost) | 921,857 | 900,854 | 879,400 | 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 | 170,975 | 74,248 | (200,733) | (2,417) | 9,483 | 11,098 | 28,937 | 103,879 | 151,919 | 34,910 |
| Changes of assumptions | 60,692 | 59,179 | 220,153 | 57,076 | - | 53,489 | 106,022 | 51,441 | 85,148 | 48,146 |
| Benefit payments, including refunds of member contributions | (966,790) | (949,736) | (929,291) | (891,445) | (862,198) | (842,469) | (828,266) | (821,495) | (889,343) | (881,465) |
| Net change in total pension liability | 382,460 | 276,271 | 155,823 | 234,911 | 209,123 | 263,601 | 318,067 | 315,391 | 298,544 | 136,446 |
| Total Pension liability - beginning | 12,650,397 | 12,374,126 | 12,218,303 | 11,983,392 | 11,774,269 | 11,510,668 | 11,192,601 | 10,877,210 | 10,578,666 | 10,442,220 |
| Total Pension liability - ending | 13,032,857 | 12,650,397 | 12,374,126 | 12,218,303 | 11,983,392 | 11,774,269 | 11,510,668 | 11,192,601 | 10,877,210 | 10,578,666 |
| Plan fiduciary net position | | | | | | | | | | |
| Contributions - employer | 948,686 | 1,164,974 | 859,786 | 788,483 | 768,720 | 797,806 | 781,984 | 706,237 | 660,247 | 577,195 |
| Contributions - member | 127,355 | 120,691 | 110,447 | 111,273 | 111,825 | 99,180 | 83,289 | 73,607 | 67,055 | 58,658 |
| Net investment income | 658,958 | 570,957 | (479,763) | 1,643,490 | 87,151 | 303,736 | 440,327 | 566,625 | (145,682) | 13,838 |
| Benefit payments, including refunds of member contributions | (966,790) | (949,736) | (929,291) | (891,445) | (862,198) | (842,469) | (828,266) | (821,495) | (889,343) | (881,666) |
| Administrative expense | (10,033) | (8,938) | (8,933) | (9,709) | (10,991) | (11,155) | (10,123) | (8,874) | (8,554) | (10,478) |
| PAF Distributions | (57) | (29,693) | (37,395) | - | - | - | - | - | - | - |
| Net change in plan fiduciary net position | 758,119 | 868,255 | (485,149) | 1,642,092 | 94,507 | 347,098 | 467,211 | 516,100 | (316,277) | (242,453) |
| Plan fiduciary net position - beginning | 7,808,089 | 6,939,834 | 7,424,983 | 5,782,891 | 5,688,384 | 5,341,286 | 4,874,075 | 4,357,975 | 4,674,252 | 4,916,705 |
| Plan fiduciary net position - ending | 8,566,208 | 7,808,089 | 6,939,834 | 7,424,983 | 5,782,891 | 5,688,384 | 5,341,286 | 4,874,075 | 4,357,975 | 4,674,252 |
| Net pension liability - ending | 4,466,649 | 4,842,308 | 5,434,292 | 4,793,320 | 6,200,501 | 6,085,885 | 6,169,382 | 6,318,526 | 6,519,235 | 5,904,414 |
| Plan fiduciary net position as a percentage of the total pension liability | 65.73% | 61.72% | 56.08% | 60.77% | 48.26% | 48.31% | 46.40% | 43.55% | 40.07% | 44.19% |
| Covered payroll | 2,132,041 | 1,993,014 | 1,921,142 | 1,886,512 | 1,921,217 | 1,842,555 | 1,805,400 | 1,744,728 | 1,676,549 | 1,597,849 |
| Net pension liability as a percentage of covered payroll | 209.50% | 242.96% | 282.87% | 254.08% | 322.74% | 330.30% | 341.72% | 362.15% | 388.85% | 369.52% |

City of Philadelphia
Required Supplementary Information
Other Post Employment Benefits (OPEB) and Pension Plans

Exhibit XVII

City of Philadelphia Schedule of Collective Contributions (Based on Minimum Municipal Obligations)

Last 10 Fiscal Years
Amounts in Thousands

| | FYE 2024 | FYE 2023 | FYE 2022 | FYE 2021 | FYE 2020 | FYE 2019 | FYE 2018 | FYE 2017 | FYE 2016 | FYE 2015 |
|--|------------------|------------------|------------------|------------------|-----------------|------------------|------------------|-----------------|-----------------|-----------------|
| Actuarially determined Contribution | 671,689 | 664,067 | 678,192 | 673,884 | 675,751 | 668,281 | 661,257 | 629,620 | 594,975 | 556,030 |
| Contributions in Relation to the Actuarially Determined Contribution | <u>948,686</u> | <u>1,164,974</u> | <u>859,787</u> | <u>788,483</u> | <u>768,721</u> | <u>797,806</u> | <u>781,984</u> | <u>706,237</u> | <u>660,247</u> | <u>577,195</u> |
| Contribution Deficiency/(Excess) | <u>(276,997)</u> | <u>(500,907)</u> | <u>(181,595)</u> | <u>(114,599)</u> | <u>(92,970)</u> | <u>(129,525)</u> | <u>(120,727)</u> | <u>(76,617)</u> | <u>(65,272)</u> | <u>(21,165)</u> |
| Covered Payroll | 2,132,041 | 1,993,014 | 1,921,142 | 1,886,512 | 1,921,217 | 1,842,555 | 1,805,400 | 1,744,728 | 1,676,549 | 1,597,849 |
| Contributions as a Percentage of Covered Payroll | 44.50% | 58.45% | 44.75% | 41.80% | 40.01% | 43.30% | 43.31% | 40.48% | 39.38% | 36.12% |

City of Philadelphia Schedule of Collective Contributions (Based on Revenue Recognition Policy)

Last 10 Fiscal Years
Amounts in Thousands

| | FYE 2024 | FYE 2023 | FYE 2022 | FYE 2021 | FYE 2020 | FYE 2019 | FYE 2018 | FYE 2017 | FYE 2016 | FYE 2015 |
|--|------------------|------------------|------------------|-----------------|-----------------|------------------|------------------|-----------------|-----------------|-----------------|
| Actuarially determined Contribution | 742,764 | 726,501 | 727,430 | 712,978 | 704,589 | 680,808 | 662,139 | 629,620 | 594,975 | 556,030 |
| Contributions in Relation to the Actuarially Determined Contribution | <u>948,686</u> | <u>1,164,974</u> | <u>859,787</u> | <u>788,483</u> | <u>768,721</u> | <u>797,806</u> | <u>781,984</u> | <u>706,237</u> | <u>660,247</u> | <u>577,195</u> |
| Contribution Deficiency/(Excess) | <u>(205,922)</u> | <u>(438,473)</u> | <u>(132,357)</u> | <u>(75,505)</u> | <u>(64,132)</u> | <u>(116,998)</u> | <u>(119,845)</u> | <u>(76,617)</u> | <u>(65,272)</u> | <u>(21,165)</u> |
| Covered Payroll | 2,132,041 | 1,993,014 | 1,921,142 | 1,886,512 | 1,921,217 | 1,842,555 | 1,805,400 | 1,744,728 | 1,676,549 | 1,597,849 |
| Contributions as a Percentage of Covered Payroll | 44.50% | 58.45% | 44.75% | 41.80% | 40.01% | 43.30% | 43.31% | 40.48% | 39.38% | 36.12% |

City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)

Last 10 Fiscal Years
Amounts in Thousands

| | FYE2024 | FYE 2023 | FYE 2022 | FYE 2021 | FYE 2020 | FYE 2019 | FYE 2018 | FYE 2017 | FYE 2016 | FYE 2015 |
|--|------------------|------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined Contribution | 822,332 | 801,674 | 826,407 | 856,456 | 839,691 | 874,706 | 871,802 | 881,356 | 846,283 | 798,043 |
| Contributions in Relation to the Actuarially Determined Contribution | <u>948,686</u> | <u>1,164,974</u> | <u>859,787</u> | <u>788,483</u> | <u>768,721</u> | <u>797,806</u> | <u>781,984</u> | <u>706,237</u> | <u>660,247</u> | <u>577,195</u> |
| Contribution Deficiency/(Excess) | <u>(126,354)</u> | <u>(363,300)</u> | <u>(33,380)</u> | <u>67,973</u> | <u>70,970</u> | <u>76,900</u> | <u>89,818</u> | <u>175,119</u> | <u>186,036</u> | <u>220,847</u> |
| Covered Payroll | 2,132,041 | 1,993,014 | 1,921,142 | 1,886,512 | 1,921,217 | 1,842,555 | 1,805,400 | 1,744,728 | 1,676,549 | 1,597,849 |
| Contributions as a Percentage of Covered Payroll | 44.50% | 58.45% | 44.75% | 41.80% | 40.01% | 43.30% | 43.31% | 40.48% | 39.38% | 36.12% |

Notes to Schedule

Valuation Date July 1, 2022
Timing Actuarially determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year.

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method Entry Age
Asset valuation method Ten-year smoothed market
Amortization method Gain/Losses are amortized over closed 20-year periods, assumption changes over 15years, benefit changes for actives over 10 year, and benefit changes for inactive members over 1 year, and plan changes mandated by state over 20 years.
Under the City's Funding policy, the initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019. 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 what the MMO would have been without these additional assets.
Discount rate 7.40%
Amortization growth rate 3.30%
Salary increases Age based salary scale separated by employee classification
Mortality Pub-2010(B) Mortality Tables projected from base year of 2010 to 2025 using mortality improvement scale MP-2021

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2024 can be found in the July 1, 2022 actuarial valuation report.

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 2024 | FYE 2023 | FYE 2022 | FYE 2021 | FYE 2020 | FYE 2019 | FYE 2018 | FYE 2017 | FYE 2016 |
|--|----------------|----------------|------------------|----------------|-----------------|----------------|----------------|----------------|-----------------|
| Total Pension Liability | | | | | | | | | |
| Service Cost | 9,256 | 8,713 | 7,152 | 7,178 | 6,400 | 6,554 | 6,103 | 5,823 | 5,400 |
| Interest Cost | 56,901 | 56,413 | 55,276 | 55,454 | 56,893 | 57,240 | 55,718 | 55,443 | 55,903 |
| Changes in Benefit Terms | - | - | - | - | - | - | - | - | - |
| Differences between expected and actual experience | 2,859 | 1,923 | 9,665 | 2,057 | (3,034) | (12,089) | 15,706 | 2,182 | (8,841) |
| Changes in assumptions | - | - | 1,481 | 22,923 | (24,891) | (1,834) | (3,864) | (7,952) | 26,748 |
| Benefit Payments | (60,928) | (60,312) | (58,502) | (56,646) | (55,061) | (53,893) | (52,627) | (51,376) | (50,447) |
| Net Change in Total Pension Liability | 8,088 | 6,737 | 15,072 | 30,966 | (19,693) | (4,022) | 21,036 | 4,120 | 28,763 |
| Total Pension Liability (Beginning) | 833,567 | 826,830 | 811,758 | 780,792 | 800,485 | 804,507 | 783,471 | 779,351 | 750,588 |
| Total Pension Liability (Ending) | 841,655 | 833,567 | 826,830 | 811,758 | 780,792 | 800,485 | 804,507 | 783,471 | 779,351 |
| Plan Fiduciary Net Position | | | | | | | | | |
| Contributions-Employer | 30,000 | 30,000 | 30,042 | 29,728 | 29,414 | 28,570 | 29,143 | 27,918 | 21,123 |
| Contributions - Member | 2,641 | 2,215 | 1,854 | 1,607 | 1,519 | 1,249 | 1,078 | 852 | 602 |
| Net Investment Income | 79,631 | 66,844 | (80,988) | 155,840 | 14,286 | 34,260 | 44,310 | 61,002 | 2,872 |
| Benefit Payments | (60,928) | (60,312) | (58,502) | (56,646) | (55,061) | (53,893) | (52,627) | (51,376) | (50,446) |
| Administrative Expense | (494) | (361) | (200) | (217) | (168) | (192) | (184) | (129) | (1,611) |
| Other | - | - | - | - | - | - | - | - | - |
| Net Change in Fiduciary Net Position | 50,850 | 38,386 | (107,794) | 130,312 | (10,010) | 9,994 | 21,720 | 38,267 | (27,460) |
| Plan Fiduciary Net Position (Beginning) | 604,134 | 565,748 | 673,542 | 543,230 | 553,240 | 543,246 | 521,526 | 483,259 | 510,719 |
| Plan Fiduciary Net Position (Ending) | 654,984 | 604,134 | 565,748 | 673,542 | 543,230 | 553,240 | 543,246 | 521,526 | 483,259 |
| Net Pension Liability (Ending) | 186,671 | 229,433 | 261,082 | 138,216 | 237,562 | 247,245 | 261,261 | 261,945 | 296,092 |
| Total Pension Liability | 841,655 | 833,567 | 826,830 | 811,758 | 780,792 | 800,485 | 804,507 | 783,471 | 779,351 |
| Plan Fiduciary Net Position | 654,984 | 604,134 | 565,748 | 673,542 | 543,230 | 553,240 | 543,246 | 521,526 | 483,259 |
| Net Pension Liability (Ending) | 186,671 | 229,433 | 261,082 | 138,216 | 237,562 | 247,245 | 261,261 | 261,945 | 296,092 |
| Net Position as a percentage of Pension Liability | 77.82% | 72.48% | 68.42% | 82.97% | 69.57% | 69.11% | 67.53% | 66.57% | 62.01% |
| Covered Payroll | 108,177 | 102,709 | 97,435 | 97,959 | 95,934 | 98,454 | 101,271 | 94,768 | 90,860 |
| Net Pension Liability as a percentage of Covered Payroll | 172.56% | 223.38% | 267.96% | 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 2024 | FYE 2023 | FYE 2022 | FYE 2021 | FYE 2020 | FYE 2019 | FYE 2018 | FYE 2017 | FYE 2016 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Actuarially Determined Contribution | 30,000 | 30,000 | 30,000 | 30,000 | 26,844 | 28,797 | 28,395 | 29,260 | 26,476 |
| Contributions in Relation to the Actuarially Determined Contribution | 30,000 | 30,000 | 30,043 | 29,728 | 29,414 | 28,570 | 29,143 | 27,918 | 21,123 |
| Contribution Deficiency/(Excess) | - | - | (43) | 272 | (2,570) | 227 | (748) | 1,342 | 5,353 |
| Covered Payroll | 108,177 | 102,709 | 97,435 | 97,959 | 95,934 | 98,454 | 101,271 | 94,768 | 90,860 |
| Contributions as a percent of covered payroll | 27.73% | 29.21% | 30.83% | 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, 2024 |
| 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-2021. |
| Discount Rate | 7.00% |

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. A copy of this report can be obtained online at www.phila.gov/departments/office-of-the-director-of-finance.

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

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

| | General Fund | HealthChoices Behavioral Health Fund | Grants Revenue Fund |
|---|------------------|--|---------------------------|
| <u>Revenues</u> | | | |
| Budgetary Comparison Schedule | 6,063,575 | 1,243,376 | 1,437,613 |
| Transfers | (1,127,609) | - | - |
| Program Income | - | - | 74,066 |
| Adjustments applicable to Prior Years Activity | - | - | (9,294) |
| Change in Amount Held by Fiscal Agent | 10,253 | - | - |
| Change in BIRT Adjustment | (53,616) | - | - |
| Return of Loan | - | - | - |
| Other | 820 | - | 23,510 |
| Statement of Revenues, Expenditures & Changes in Fund Balance | <u>4,893,423</u> | <u>1,243,376</u> | <u>1,525,895</u> |
| <u>Expenditures and Encumbrances</u> | | | |
| Budgetary Comparison Schedule | 6,134,735 | 1,313,186 | 1,739,136 |
| Transfers | (382,841) | - | (424,874) |
| Transfer to Budget Stabilization Fund | (47,672) | - | - |
| Debt Service Principal and Interest | - | - | - |
| Bond Issuance Costs | 2,539 | - | - |
| Expenditures applicable to Prior Years Budgets | 102,952 | (29,581) | (6,266) |
| Program Income | - | - | 74,066 |
| Lease and Subscription Activity | 34,599 | - | - |
| Change in Amount Held by Fiscal Agent | 91,196 | - | - |
| Current Year Encumbrances | (290,155) | (4,370) | (90,864) |
| Statement of Revenues, Expenditures & Changes in Fund Balance | <u>5,645,353</u> | <u>1,279,235</u> | <u>1,291,198</u> |

City of Philadelphia
P E N N S Y L V A N I A

**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.

COUNTY DEMOLITION – Established to account for fees collected to be used for the demolition of blighted properties for the purpose of increasing economic development.

TRANSPORTATION – Established to account for parking taxes and other transportation related receipts to be used for transportation related costs.

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, 2024

Schedule I

Amounts in thousands of USD

| | Special Revenue | | | | | | | | | | | | |
|--|-------------------------------|----------------------------|-----------------------------|--------------------------|-------------------|------------------|--------------------------------------|----------------------|----------------|------------------------|-------------------------|------------------------|--------------|
| | County Liquid Fuels Tax | Special Gasoline Tax | Hotel Room Rental Tax | Community Development | Car Rental Tax | Housing Trust | Acute Care Hospital Assessment | County Demolition | Transportation | Riverview Residents | Philadelphia Prisons | Arbitration Appeals | Departmental |
| Assets | | | | | | | | | | | | | |
| Cash on Deposit and on Hand | - | - | - | - | - | - | - | - | - | - | - | - | 11,298 |
| Equity in Treasurer's Account | 13,604 | 27,119 | 19,609 | - | 8,357 | 104,735 | 36,158 | 399 | 24,812 | - | 6,945 | 318 | 8,283 |
| Investments | - | - | - | - | - | - | - | - | - | - | - | - | 1,405 |
| Due from Other Funds | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Taxes Receivable | - | - | 9,602 | - | 783 | - | 12,304 | - | 10,207 | - | - | - | - |
| Accounts Receivable | - | - | - | 2,539 | - | - | - | - | - | - | - | - | 91 |
| Lease Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Due from Other Governmental Units | - | 34,000 | - | 22,579 | - | - | - | - | - | - | - | - | - |
| Allowance for Doubtful Accounts | - | - | (1,412) | - | (12) | - | (11,073) | - | (800) | - | - | - | - |
| Interest and Dividends Receivable | - | - | - | - | 18 | - | - | - | - | - | - | - | - |
| Other Assets | - | - | - | - | - | - | - | - | - | - | - | - | 17 |
| Total Assets | 13,604 | 61,119 | 27,799 | 25,118 | 9,146 | 104,735 | 37,389 | 399 | 34,219 | - | 6,945 | 318 | 21,094 |
| Liabilities | | | | | | | | | | | | | |
| Vouchers Payable | 281 | 1,684 | 8,416 | 280 | - | 122 | 15,736 | - | 1,095 | - | 27 | - | 249 |
| Accounts Payable | 196 | 1,750 | 2,050 | 5,235 | - | 2,489 | 163 | - | 2,026 | - | - | - | 310 |
| Salaries and Wages Payable | 6 | - | - | 114 | - | - | 95 | - | 2,568 | - | - | - | - |
| Payroll Taxes Payable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Due to Other Funds | - | - | - | 20,254 | - | - | - | - | - | - | - | - | - |
| Due to Component Units | - | - | - | - | - | - | - | - | - | - | - | - | 163 |
| Funds Held in Escrow | - | - | - | 8 | - | - | - | - | - | - | 447 | - | 2,697 |
| Unearned Revenue | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Liabilities | 483 | 3,434 | 10,466 | 25,891 | - | 2,611 | 15,994 | - | 5,689 | - | 474 | - | 3,419 |
| Deferred Inflows of Resources | - | 34,000 | - | 25,116 | 9 | - | 1,231 | - | 468 | - | - | - | - |
| Fund Balances | | | | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Restricted | 13,121 | 23,685 | 17,333 | - | 9,137 | 102,124 | 20,164 | 399 | 28,062 | - | - | 318 | 13,959 |
| Committed | - | - | - | - | - | - | - | - | - | - | 6,471 | - | 3,716 |
| Assigned | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | (25,889) | - | - | - | - | - | - | - | - | - |
| Total Fund Balances | 13,121 | 23,685 | 17,333 | (25,889) | 9,137 | 102,124 | 20,164 | 399 | 28,062 | - | 6,471 | 318 | 17,675 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | 13,604 | 61,119 | 27,799 | 25,118 | 9,146 | 104,735 | 37,389 | 399 | 34,219 | - | 6,945 | 318 | 21,094 |

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2024

Schedule I

Amounts in thousands of USD

| | Special Revenue (continued) | | | Debt Service | | | Capital Improvement | | | Permanent | Total |
|---|------------------------------------|---------------------|----------|--------------|---------------------|-------|---------------------|---------------------|---------|-------------------|------------------------------|
| | Municipal Authority Administrative | PICA Administrative | Total | City | Municipal Authority | Total | City | Municipal Authority | Total | Libraries & Parks | Non-Major Governmental Funds |
| Assets | | | | | | | | | | | |
| Cash on Deposit and on Hand | 3,036 | 19,128 | 33,462 | - | - | - | - | - | - | 710 | 34,172 |
| Equity in Treasurer's Account | - | - | 250,339 | 581 | - | 581 | 328,066 | - | 328,066 | - | 578,986 |
| Investments | - | - | 1,405 | - | 53 | 53 | - | 9 | 9 | 8,869 | 10,336 |
| Due from Other Funds | 17,395 | - | 17,395 | - | - | - | - | - | - | - | 17,395 |
| Taxes Receivable | - | 12,472 | 45,368 | - | - | - | - | - | - | - | 45,368 |
| Accounts Receivable | 4,417 | - | 7,047 | - | - | - | - | - | - | - | 7,047 |
| Lease Receivable | 57,854 | - | 57,854 | - | - | - | - | - | - | - | 57,854 |
| Due from Other Governmental Units | - | - | 56,579 | - | - | - | 108,606 | - | 108,606 | - | 165,185 |
| Allowance for Doubtful Accounts | - | - | (13,297) | - | - | - | - | - | - | - | (13,297) |
| Interest and Dividends Receivable | - | 81 | 99 | 2 | - | 2 | 54 | - | 54 | - | 155 |
| Other Assets | 803 | 11 | 831 | - | - | - | - | - | - | - | 831 |
| Total Assets | 83,505 | 31,692 | 457,082 | 583 | 53 | 636 | 436,726 | 9 | 436,735 | 9,579 | 904,032 |
| Liabilities | | | | | | | | | | | |
| Vouchers Payable | - | - | 27,890 | - | - | - | 12,212 | - | 12,212 | - | 40,102 |
| Accounts Payable | 22,652 | 77 | 36,948 | - | - | - | 50,095 | - | 50,095 | 79 | 87,122 |
| Salaries and Wages Payable | - | - | 2,783 | - | - | - | - | - | - | - | 2,783 |
| Payroll Taxes Payable | - | 91 | 91 | - | - | - | - | - | - | - | 91 |
| Due to Other Funds | - | 12,472 | 32,726 | - | - | - | - | - | - | - | 32,726 |
| Due to Component Units | - | - | 163 | - | - | - | 16,892 | - | 16,892 | - | 17,055 |
| Funds Held in Escrow | 2,630 | - | 5,782 | - | - | - | 691 | - | 691 | - | 6,473 |
| Unearned Revenue | - | - | - | - | - | - | 14,650 | - | 14,650 | - | 14,650 |
| Total Liabilities | 25,282 | 12,640 | 106,383 | - | - | - | 94,540 | - | 94,540 | 79 | 201,002 |
| Deferred Inflows of Resources | 73,795 | - | 134,619 | - | - | - | 104,550 | - | 104,550 | - | 239,169 |
| Fund Balances | | | | | | | | | | | |
| Nonspendable | - | 12 | 12 | - | - | - | - | - | - | 5,085 | 5,097 |
| Restricted | - | 19,040 | 247,342 | 583 | 53 | 636 | 237,636 | 9 | 237,645 | 4,235 | 489,858 |
| Committed | - | - | 10,187 | - | - | - | - | - | - | 180 | 10,367 |
| Assigned | - | - | - | - | - | - | - | - | - | - | - |
| Unassigned | (15,572) | - | (41,461) | - | - | - | - | - | - | - | (41,461) |
| Total Fund Balances | (15,572) | 19,052 | 216,080 | 583 | 53 | 636 | 237,636 | 9 | 237,645 | 9,500 | 463,861 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | 83,505 | 31,692 | 457,082 | 583 | 53 | 636 | 436,726 | 9 | 436,735 | 9,579 | 904,032 |

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2024

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 | County Demolition | Transportation | Riverview Residents | Philadelphia Prisons | Arbitration Appeals | Departmental |
| Revenues | | | | | | | | | | | | | |
| Tax Revenue | - | - | 79,875 | - | 7,312 | - | 190,324 | - | 104,275 | - | - | - | - |
| Locally Generated Non-Tax Revenue | 231 | 1,016 | 515 | 28 | 307 | 16,042 | - | 1,103 | 13,646 | - | 2,605 | 187 | 5,749 |
| Revenue from Other Governments | 5,785 | 91 | - | 60,406 | - | - | - | - | 2,500 | - | - | - | - |
| Other Revenues | - | - | - | - | - | - | - | - | - | - | - | - | 646 |
| Total Revenues | 6,016 | 1,107 | 80,390 | 60,434 | 7,619 | 16,042 | 190,324 | 1,103 | 120,421 | - | 2,605 | 187 | 6,395 |
| Expenditures | | | | | | | | | | | | | |
| Current Operating: | | | | | | | | | | | | | |
| Economic Development | - | - | 80,029 | - | - | - | - | - | - | - | - | - | - |
| Transportation: | | | | | | | | | | | | | |
| Streets & Highways | 7,545 | 28,895 | - | - | - | - | - | - | 80,372 | - | - | - | - |
| Judiciary and Law Enforcement: | | | | | | | | | | | | | |
| Prisons | - | - | - | - | - | - | - | - | - | - | 1,469 | - | - |
| Conservation of Health: | | | | | | | | | | | | | |
| Health Services | - | - | - | - | - | - | 186,527 | - | - | - | - | - | - |
| Housing and Neighborhood Development | - | - | - | 57,902 | - | 22,555 | - | - | - | - | - | - | - |
| Cultural and Recreational: | | | | | | | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | - | - | - | - | - | - | 2,738 |
| Libraries and Museums | - | - | - | - | - | - | - | - | - | - | - | - | 156 |
| Improvements to General Welfare: | | | | | | | | | | | | | |
| Inspections and Demolitions | - | - | - | - | - | - | - | 1,000 | - | - | - | - | - |
| Service to Property: | | | | | | | | | | | | | |
| Sanitation | - | 3,503 | - | - | - | - | - | - | - | - | - | - | - |
| General Management and Support | - | 500 | - | 124 | 7,000 | 3,943 | - | - | 11,987 | 30 | 444 | 90 | 6,227 |
| Capital Outlay | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Debt Service: | | | | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - | 17 | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | 1 | - | - |
| Total Expenditures | 7,545 | 32,898 | 80,029 | 58,026 | 7,000 | 26,498 | 186,527 | 1,000 | 92,359 | 30 | 1,931 | 90 | 9,121 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,529) | (31,791) | 361 | 2,408 | 619 | (10,456) | 3,797 | 103 | 28,062 | (30) | 674 | 97 | (2,726) |
| Other Financing Sources (Uses) | | | | | | | | | | | | | |
| Leases (as lessee) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers In | - | - | - | - | - | 30,613 | - | - | - | - | - | - | 1,280 |
| Transfers Out | - | - | - | - | - | - | (4,500) | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - | 30,613 | (4,500) | - | - | - | - | - | 1,280 |
| Net Change in Fund Balances | (1,529) | (31,791) | 361 | 2,408 | 619 | 20,157 | (703) | 103 | 28,062 | (30) | 674 | 97 | (1,446) |
| Fund Balance - July 1, 2023 | 14,650 | 55,476 | 16,972 | (28,297) | 8,518 | 81,967 | 20,867 | 296 | - | 30 | 5,797 | 221 | 19,121 |
| Fund Balance - June 30, 2024 | 13,121 | 23,685 | 17,333 | (25,889) | 9,137 | 102,124 | 20,164 | 399 | 28,062 | - | 6,471 | 318 | 17,675 |

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, 2024

Amounts in thousands of USD

| | Special Revenue (continued) | | | Debt Service | | | Capital Improvement | | | Permanent | Total |
|---|------------------------------------|---------------------|-----------|--------------|---------------------|-----------|---------------------|---------------------|-----------|-------------------|------------------------------|
| | Municipal Authority Administrative | PICA Administrative | Total | City | Municipal Authority | Total | City | Municipal Authority | Total | Libraries & Parks | Non-Major Governmental Funds |
| Revenues | | | | | | | | | | | |
| Tax Revenue | - | 704,422 | 1,086,208 | - | - | - | - | - | - | - | 1,086,208 |
| Locally Generated Non-Tax Revenue | 101 | 1,814 | 43,344 | 53 | 4 | 57 | 998 | 1 | 999 | 1,521 | 45,921 |
| Revenue from Other Governments | - | - | 68,782 | - | - | - | 50,013 | - | 50,013 | - | 118,795 |
| Other Revenues | 6,199 | - | 6,845 | - | - | - | 199 | - | 199 | - | 7,044 |
| Total Revenues | 6,300 | 706,236 | 1,205,179 | 53 | 4 | 57 | 51,210 | 1 | 51,211 | 1,521 | 1,257,968 |
| Expenditures | | | | | | | | | | | |
| Current Operating: | | | | | | | | | | | |
| Economic Development | - | - | 80,029 | - | - | - | - | - | - | - | 80,029 |
| Transportation: | | | | | | | | | | | |
| Streets & Highways | - | - | 116,812 | - | - | - | - | - | - | - | 116,812 |
| Judiciary and Law Enforcement: | | | | | | | | | | | |
| Prisons | - | - | 1,469 | - | - | - | - | - | - | - | 1,469 |
| Conservation of Health: | | | | | | | | | | | |
| Health Services | - | - | 186,527 | - | - | - | - | - | - | - | 186,527 |
| Housing and Neighborhood Development | - | - | 80,457 | - | - | - | - | - | - | - | 80,457 |
| Cultural and Recreational: | | | | | | | | | | | |
| Parks & Recreation | - | - | 2,738 | - | - | - | - | - | - | 111 | 2,849 |
| Libraries and Museums | - | - | 156 | - | - | - | - | - | - | 5 | 161 |
| Improvements to General Welfare: | | | | | | | | | | | |
| Inspections and Demolitions | - | - | 1,000 | - | - | - | - | - | - | - | 1,000 |
| Service to Property: | | | | | | | | | | | |
| Sanitation | - | - | 3,503 | - | - | - | - | - | - | - | 3,503 |
| General Management and Support | 100,361 | 939 | 131,645 | - | 95 | 95 | - | - | - | - | 131,740 |
| Capital Outlay | 7,688 | - | 7,688 | - | - | - | 318,017 | - | 318,017 | - | 325,705 |
| Debt Service: | | | | | | | | | | | |
| Principal | - | - | 17 | 113,380 | 5,915 | 119,295 | - | - | - | - | 119,312 |
| Interest | - | - | 1 | 75,299 | 6,029 | 81,328 | - | - | - | - | 81,329 |
| Total Expenditures | 108,049 | 939 | 612,042 | 188,679 | 12,039 | 200,718 | 318,017 | - | 318,017 | 116 | 1,130,893 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (101,749) | 705,297 | 593,137 | (188,626) | (12,035) | (200,661) | (266,807) | 1 | (266,806) | 1,405 | 127,075 |
| Other Financing Sources (Uses) | | | | | | | | | | | |
| Leases (as lessee) | 7,688 | - | 7,688 | - | - | - | - | - | - | - | 7,688 |
| Transfers In | 96,516 | - | 128,409 | 188,715 | 12,012 | 200,727 | 138,839 | - | 138,839 | - | 467,975 |
| Transfers Out | - | (705,546) | (710,046) | - | - | - | (11,900) | - | (11,900) | (130) | (722,076) |
| Total Other Financing Sources (Uses) | 104,204 | (705,546) | (573,949) | 188,715 | 12,012 | 200,727 | 126,939 | - | 126,939 | (130) | (246,413) |
| Net Change in Fund Balances | 2,455 | (249) | 19,188 | 89 | (23) | 66 | (139,868) | 1 | (139,867) | 1,275 | (119,338) |
| Fund Balance - July 1, 2023 | (18,027) | 19,301 | 196,892 | 494 | 76 | 570 | 377,504 | 8 | 377,512 | 8,225 | 583,199 |
| Fund Balance - June 30, 2024 | (15,572) | 19,052 | 216,080 | 583 | 53 | 636 | 237,636 | 9 | 237,645 | 9,500 | 463,861 |

City of Philadelphia
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2024

Schedule III

Amounts in thousands of USD

| | Gas Works Retirement Reserve Fund | Municipal Pension Fund | Total |
|---|--|------------------------------|-----------|
| <u>Assets</u> | | | |
| Cash on Deposit and on Hand | 15,078 | - | 15,078 |
| Equity in Treasurer's Account | 638,172 | 8,363,696 | 9,001,868 |
| Securities Lending Collective Investment Pool | 52,071 | 329,214 | 381,285 |
| Accounts Receivable | - | 4,007 | 4,007 |
| Due from Brokers for Securities Sold | 2,474 | 310,849 | 313,323 |
| Interest and Dividends Receivable | 2,100 | - | 2,100 |
| Due from Other Governmental Units | - | 6,268 | 6,268 |
| Due from Other Funds | - | 185,016 | 185,016 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | 709,895 | 9,199,050 | 9,908,945 |
| | <hr/> | <hr/> | <hr/> |
| <u>Liabilities</u> | | | |
| Vouchers Payable | - | 36 | 36 |
| Accounts Payable | 138 | - | 138 |
| Salaries and Wages Payable | - | 86 | 86 |
| Due on Return of Securities Loaned | 52,070 | 329,214 | 381,284 |
| Due to Brokers for Securities Purchased | 2,363 | 298,235 | 300,598 |
| Accrued Expenses | - | 5,063 | 5,063 |
| Other Liabilities | 340 | 208 | 548 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | 54,911 | 632,842 | 687,753 |
| | <hr/> | <hr/> | <hr/> |
| Net Position Restricted for Pensions | 654,984 | 8,566,208 | 9,221,192 |
| | <hr/> | <hr/> | <hr/> |

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2024

Schedule IV

Amounts in thousands of USD

| | Gas Works Retirement Reserve Fund | Municipal Pension Fund | Total |
|---------------------------------------|--|------------------------------|-----------|
| <u>Additions</u> | | | |
| Contributions: | | | |
| Employer's Contributions | 30,000 | 948,686 | 978,686 |
| Employees' Contributions | 2,642 | 127,355 | 129,997 |
| Total Contributions | 32,642 | 1,076,041 | 1,108,683 |
| Investment Income: | | | |
| Interest and Dividends | 16,692 | 235,103 | 251,795 |
| Net Gain in Fair Value of Investments | 64,278 | 438,436 | 502,714 |
| (Less) Investments Expenses | (1,600) | (16,311) | (17,911) |
| Securities Lending Revenue | 2,798 | 2,130 | 4,928 |
| (Less) Securities Lending Expenses | (2,684) | (426) | (3,110) |
| Net Investment Gain | 79,484 | 658,932 | 738,416 |
| Miscellaneous Operating Revenues | 147 | 26 | 173 |
| Total Additions | 112,273 | 1,734,999 | 1,847,272 |
| <u>Deductions</u> | | | |
| Personal Services | - | 4,512 | 4,512 |
| Purchase of Services | - | 2,081 | 2,081 |
| Materials and Supplies | - | 60 | 60 |
| Employee Benefits | - | 3,253 | 3,253 |
| Pension Benefits | 60,928 | 951,343 | 1,012,271 |
| Refunds of Members' Contributions | - | 15,504 | 15,504 |
| Administrative Expenses Paid | 494 | - | 494 |
| Other Operating Expenses | - | 127 | 127 |
| Total Deductions | 61,422 | 976,880 | 1,038,302 |
| Change in Net Position | 50,851 | 758,119 | 808,970 |
| Net Position - July 1, 2023 | 604,133 | 7,808,089 | 8,412,222 |
| Net Position - June 30, 2024 | 654,984 | 8,566,208 | 9,221,192 |

City of Philadelphia
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2024

Schedule V

unts in thousands of U.

| | <u>Police</u> | <u>Human Services</u> | <u>Prisons</u> | <u>Homeless Services</u> | <u>Records</u> | <u>Finance</u> | <u>District Attorney</u> | <u>Sheriff</u> | <u>1st Judicial District</u> | <u>Total</u> |
|---|---------------|---------------------------|----------------|------------------------------|----------------|----------------|------------------------------|----------------|----------------------------------|----------------|
| <u>Assets</u> | | | | | | | | | | |
| Cash on Deposit and on Hand | 12,697 | 88 | 1,740 | 4 | 783 | 313 | 2,056 | 30,399 | 87,022 | 135,102 |
| Equity in Treasurer's Account | - | - | - | - | - | 898 | - | - | - | 898 |
| Investments | 2,697 | - | - | - | - | - | - | - | - | 2,697 |
| Due from Other Funds | - | - | - | - | - | 699 | - | - | - | 699 |
| Total Assets | <u>15,394</u> | <u>88</u> | <u>1,740</u> | <u>4</u> | <u>783</u> | <u>1,910</u> | <u>2,056</u> | <u>30,399</u> | <u>87,022</u> | <u>139,396</u> |
| <u>Liabilities</u> | | | | | | | | | | |
| Vouchers Payable | - | - | - | - | - | 43 | - | - | - | 43 |
| Funds Held in Escrow | <u>13</u> | <u>88</u> | <u>1,740</u> | <u>4</u> | <u>783</u> | <u>1,867</u> | <u>-</u> | <u>65</u> | <u>350</u> | <u>4,910</u> |
| Total Liabilities | <u>13</u> | <u>88</u> | <u>1,740</u> | <u>4</u> | <u>783</u> | <u>1,910</u> | <u>-</u> | <u>65</u> | <u>350</u> | <u>4,953</u> |
| Net Position Restricted for Individuals, Organizations & Other Governments | <u>15,381</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,056</u> | <u>30,334</u> | <u>86,672</u> | <u>134,443</u> |

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2024

Schedule VI

| | <u>Police</u> | <u>Human Services</u> | <u>Prisons</u> | <u>Homeless Services</u> | <u>Records</u> | <u>Finance</u> | <u>District Attorney</u> | <u>Sheriff</u> | <u>1st Judicial District</u> | <u>Total</u> |
|--|---------------|---------------------------|----------------|------------------------------|----------------|----------------|------------------------------|----------------|----------------------------------|--------------|
| Additions: | | | | | | | | | | |
| Collection of Human Services fees, contributions, and holdings | 24 | 616 | - | - | - | - | - | - | - | 640 |
| Collection of Judicial charges, fees, and holdings | - | - | - | - | - | - | - | - | 65,446 | 65,446 |
| Collection of prisoner holdings | - | - | 6,919 | - | - | - | - | - | - | 6,919 |
| Collection of recording fees for other governments | - | - | - | - | 3,873 | - | - | - | - | 3,873 |
| Collection of Sheriff and Police forfeitures, seizures, and holdings | 2,734 | - | - | - | - | - | 2,687 | 26,321 | - | 31,742 |
| Collection of unclaimed monies | - | - | - | - | - | 5,008 | - | - | - | 5,008 |
| Total Additions | 2,758 | 616 | 6,919 | - | 3,873 | 5,008 | 2,687 | 26,321 | 65,446 | 113,628 |
| Deductions: | | | | | | | | | | |
| Distribution of Human Service fees, contributions and holdings | 24 | 616 | - | - | - | - | - | - | - | 640 |
| Distribution of Judicial charges, fees, and holdings | - | - | - | - | - | - | - | - | 54,664 | 54,664 |
| Distribution of prisoner holdings | - | - | 6,919 | - | - | - | - | - | - | 6,919 |
| Distribution of recording fees for other governments | - | - | - | - | 3,873 | - | - | - | - | 3,873 |
| Distribution of Sheriff and Police forfeitures, seizures, and holdings | 2,083 | - | - | - | - | - | 2,277 | 27,979 | - | 32,339 |
| Distribution of unclaimed monies | - | - | - | - | - | 5,008 | - | - | - | 5,008 |
| Total Deduction | 2,107 | 616 | 6,919 | - | 3,873 | 5,008 | 2,277 | 27,979 | 54,664 | 103,443 |
| Change in net position | 651 | - | - | - | - | - | 410 | (1,658) | 10,782 | 10,185 |
| Net Position - July 1, 2023 | 14,730 | - | - | - | - | - | 1,646 | 31,992 | 75,890 | 124,258 |
| Net Position - June 30, 2024 | 15,381 | - | - | - | - | - | 2,056 | 30,334 | 86,672 | 134,443 |

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2024

Schedule VII

Amounts in USD

| | <u>Date of Issuance</u> | <u>Issued</u> | <u>Fiscal 2024 Outstanding</u> | <u>Maturities</u> | <u>Interest Rates</u> | <u>FY 2025 Debt Service Requirements</u> | |
|--|-------------------------|----------------------|--------------------------------|--------------------|-----------------------|--|--------------------|
| | | | | | | <u>Interest</u> | <u>Principal</u> |
| <u>Governmental Activities</u> | | | | | | | |
| General Obligation Bonds: | | | | | | | |
| Series 2009B (Refunding) | 8/13/2009 ¹ | 100,000,000 | 100,000,000 | 8/2027 to 8/2031 | variable | 3,839,000 | - |
| Series 2014A (Refunding) | 2/6/2014 | 154,275,000 | 5,545,000 | 7/2024 to 7/2024 | 5.00 | 138,625 | 5,545,000 |
| Series 2015A (Refunding) | 7/8/2015 | 138,795,000 | 78,380,000 | 8/2024 to 8/2031 | 5.00 | 3,670,375 | 9,945,000 |
| Series 2015B | 9/30/2015 | 191,585,000 | 136,605,000 | 8/2024 to 8/2035 | 4.00 to 5.00 | 6,331,075 | 8,535,000 |
| Series 2017 (Refunding) | 2/2/2017 | 262,865,000 | 193,440,000 | 8/2024 to 8/2041 | 4.00 to 5.00 | 9,043,600 | 15,180,000 |
| Series 2017A | 8/2/2017 | 250,845,000 | 199,715,000 | 8/2023 to 8/2037 | 5.00 | 9,733,250 | 10,100,000 |
| Series 2017A (Refunding) | 8/2/2017 | 80,770,000 | 73,165,000 | 8/2023 to 8/2036 | 5.00 | 3,437,750 | 8,820,000 |
| Series 2019A (Refunding) | 5/14/2019 | 188,660,000 | 93,890,000 | 8/2024 to 8/2031 | 5.00 | 3,903,875 | 31,625,000 |
| Series 2019B | 8/8/2019 | 293,360,000 | 251,960,000 | 2/2025 to 2/2039 | 5.00 | 12,598,000 | 11,675,000 |
| Series 2020A (Refunding) | 1/16/2020 | 118,030,000 | 94,600,000 | 7/2024 to 7/2033 | 1.72 to 3.01 | 2,546,108 | 5,365,000 |
| Series 2021A | 8/11/2021 | 294,715,000 | 265,165,000 | 5/2025 to 5/2042 | 4.00 to 5.00 | 12,123,200 | 9,530,000 |
| Series 2021B (Refunding) | 8/11/2021 | 132,085,000 | 126,845,000 | 7/2024 to 7/2038 | 0.38 to 2.52 | 2,367,171 | 2,255,000 |
| <u>Total New Money Bonds</u> | | <u>1,030,505,000</u> | <u>853,445,000</u> | | | <u>40,785,525</u> | <u>39,840,000</u> |
| <u>Total Refunding Bonds</u> | | <u>1,175,480,000</u> | <u>765,865,000</u> | | | <u>28,946,504</u> | <u>78,735,000</u> |
| <u>Total General Obligation Bonds</u> | | <u>2,205,985,000</u> | <u>1,619,310,000</u> | | | <u>69,732,029</u> | <u>118,575,000</u> |
| <u>Business Type Activities</u> | | | | | | | |
| Revenue Bonds | | | | | | | |
| Water and Sewer Revenue Bonds: | | | | | | | |
| Series 2009B (Pennvest) | 10/14/2009 | 31,216,779 | 11,940,018 | 7/2024 to 6/2033 | 2.107 | 238,692 | 1,339,281 |
| Series 2009C (Pennvest) | 10/14/2009 | 49,157,776 | 20,416,613 | 7/2024 to 6/2033 | 2.107 | 407,397 | 2,368,043 |
| Series 2009D (Pennvest) | 3/31/2010 | 75,744,096 | 31,216,039 | 7/2024 to 6/2033 | 2.107 | 620,811 | 3,836,811 |
| Series 2010B (Pennvest) | 6/17/2010 | 30,000,000 | 15,283,093 | 7/2024 to 6/2033 | 2.107 | 307,463 | 1,512,441 |
| Series 2021A (Pennvest) | 2/10/2021 | 34,191,384 | 32,467,269 | 2/2024 to 1/2044 | 1.000 to 1.727 | 305,665 | 4,154,638 |
| Series 2021D (Pennvest) | 10/21/2021 | 5,018,117 | 4,973,165 | 5/2024 to 4/2044 | 1.000 to 1.727 | 48,490 | 271,291 |
| Series 2022D (Pennvest) | 9/19/2022 | 34,605,189 | 34,605,189 | 10/2025 to 9/2045 | 1.000 to 1.727 | 345,803 | - |
| Series 2022A (Pennvest) | 4/14/2022 | 10,327,640 | 10,327,640 | 4/2025 to 3/2045 | 1.000 to 1.743 | 103,015 | 199,252 |
| Series 2022B (Pennvest) | 7/26/2022 | 28,653,691 | 28,653,691 | 2/2025 to 1/2045 | 1.000 to 1.743 | 285,361 | 706,422 |
| Series 2022E (Pennvest) | 10/12/2022 | 6,754,881 | 6,754,881 | 10/2025 to 9/2045 | 1.000 to 1.743 | 67,549 | - |
| Series 2022F (Pennvest) | 10/12/2022 | 5,210,006 | 5,210,006 | 10/2025 to 9/2045 | 1.000 to 1.743 | 52,055 | - |
| Series 2023A (Pennvest) | 6/1/2023 | 10,704,120 | 10,704,120 | 4/2026 to 5/2046 | 1.00 | 106,378 | - |
| Series 2023 (WIFIA) | 2/29/2024 | 13,787,050 | 13,787,050 | 4/2027 to 4/2046 | 3.59 | 494,955 | - |
| Series 2014 (Refunding) | 1/23/2014 | 93,170,000 | 27,085,000 | 7/2024 to 7/2027 | 3.00 to 5.00 | 1,139,375 | 8,595,000 |
| Series 2015B (Refunding) | 4/16/2015 | 141,740,000 | 96,970,000 | 7/2024 to 7/2033 | 4.00 to 5.00 | 4,571,600 | - |
| Series 2016 (Refunding) | 11/3/2016 | 192,680,000 | 141,060,000 | 10/2024 to 10/2035 | 3.00 to 5.00 | 5,980,563 | 22,875,000 |
| Series 2017A | 4/13/2017 | 279,865,000 | 239,865,000 | 10/2024 to 10/2052 | 5.00 to 5.25 | 12,116,125 | - |
| Series 2017B (Refunding) | 8/10/2017 | 174,110,000 | 147,600,000 | 11/2024 to 10/2034 | 5.00 | 7,196,875 | 7,325,000 |
| Series 2018A | 11/28/2018 | 276,935,000 | 241,935,000 | 10/2024 to 10/2053 | 5.00 | 12,096,750 | - |
| Series 2019A (Refunding) | 2/27/2019 | 68,335,000 | 24,010,000 | 10/2024 to 10/2040 | 2.83 to 4.29 | 1,029,789 | - |
| Series 2019B | 8/14/2019 | 250,660,000 | 241,065,000 | 11/2024 to 11/2054 | 5.00 | 11,801,125 | 10,085,000 |
| 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 | 196,120,000 | 11/2024 to 10/2050 | 5.00 | 9,664,625 | 5,655,000 |

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2024

Schedule VII

Amounts in USD

| | <u>Date of</u> | <u>Issued</u> | <u>Fiscal 2024</u> | | <u>Interest</u> | <u>FY 2025 Debt Service Requirements</u> | |
|-------------------------------------|-----------------------|----------------------|----------------------|--------------------|-----------------|--|--------------------|
| | <u>Issuance</u> | | <u>Outstanding</u> | <u>Maturities</u> | <u>Rates</u> | <u>Interest</u> | <u>Principal</u> |
| Series 2020B (Refunding) | 8/06/2020 | 95,025,000 | 13,885,000 | 10/2024 to 10/2035 | 0.693 to 2.434 | 322,756 | - |
| Series 2021B (Refunding) | 6/30/2021 | 368,720,000 | 355,800,000 | 7/2024 to 07/2045 | 0.247 to 2.926 | 10,026,374 | 260,000 |
| Series 2021C | 10/07/2021 | 231,930,000 | 227,760,000 | 10/2024 to 10/2051 | 2.75 to 5.00 | 9,586,375 | 4,385,000 |
| Series 2022C | 8/16/2022 | 294,810,000 | 280,935,000 | 6/2025 to 6/2052 | 5.00 to 5.50 | 14,677,500 | 8,505,000 |
| Series 2023B | 9/28/2023 | 471,080,000 | 471,080,000 | 9/2024 to 9/2053 | 5.00 to 5.50 | 23,527,625 | 6,980,000 |
| Series 2023B (Refunding) | 9/28/2023 | 93,755,000 | 93,755,000 | 9/2024 to 9/2037 | 5.00 to 5.50 | 4,589,000 | 3,950,000 |
| <u>Total New Money Bonds</u> | | <u>2,140,650,729</u> | <u>1,928,978,774</u> | | | <u>87,189,134</u> | <u>44,343,179</u> |
| <u>Total Refunding Bonds</u> | | <u>1,556,805,000</u> | <u>1,224,025,000</u> | | | <u>50,907,957</u> | <u>48,660,000</u> |
| <u>Total Water Revenue Bonds</u> | | <u>3,697,455,729</u> | <u>3,153,003,774</u> | | | <u>138,097,091</u> | <u>93,003,179</u> |
| Aviation Revenue Bonds: | | | | | | | |
| Series 2005C (Refunding) | 6/2/2005 ¹ | 189,500,000 | 15,800,000 | 6/2025 to 6/2025 | variable | 274,461 | 15,800,000 |
| Series 2015A (Refunding) | 9/3/2015 | 97,780,000 | 64,220,000 | 6/2025 to 6/2035 | 4.00 to 5.00 | 3,125,450 | 4,540,000 |
| Series 2017 | 4/27/2017 | 125,000,000 | 110,220,000 | 7/2024 to 6/2025 | 1.513 | 1,682,683 | 110,220,000 |
| Series 2017A (Refunding) | 12/20/2017 | 138,630,000 | 113,645,000 | 7/2024 to 7/2047 | 3.00 to 5.00 | 5,127,544 | 5,230,000 |
| Series 2017B (Refunding) | 12/20/2017 | 553,900,000 | 480,290,000 | 7/2024 to 7/2047 | 5.00 | 23,581,250 | 17,330,000 |
| Series 2020A (Refunding) | 10/08/2020 | 187,140,000 | 187,140,000 | 7/2024 to 7/2040 | 4.00 to 5.00 | 8,231,950 | 7,360,000 |
| Series 2020B (Refunding) | 10/08/2020 | 43,140,000 | 43,125,000 | 7/2024 to 7/2050 | 3.00 to 5.00 | 1,587,700 | 870,000 |
| Series 2020C (Refunding) | 10/08/2020 | 158,935,000 | 119,075,000 | 7/2024 to 7/2050 | 4.00 to 5.00 | 4,989,275 | 23,735,000 |
| Series 2021 (Refunding) | 7/07/2021 | 122,405,000 | 122,405,000 | 7/2024 to 7/2031 | 5.00 | 6,120,250 | 6,455,000 |
| Series 2021 | 7/07/2021 | 179,635,000 | 179,625,000 | 7/2024 to 7/2051 | 4.00 to 5.00 | 8,049,125 | 1,360,000 |
| <u>Total New Money Bonds</u> | | <u>304,635,000</u> | <u>289,845,000</u> | | | <u>9,731,808</u> | <u>111,580,000</u> |
| <u>Total Refunding Bonds</u> | | <u>1,491,430,000</u> | <u>1,145,700,000</u> | | | <u>53,037,880</u> | <u>81,320,000</u> |
| <u>Total Aviation Revenue Bonds</u> | | <u>1,796,065,000</u> | <u>1,435,545,000</u> | | | <u>62,769,688</u> | <u>192,900,000</u> |
| <u>Total Revenue Bonds</u> | | <u>5,493,520,729</u> | <u>4,588,548,774</u> | | | <u>200,866,779</u> | <u>285,903,179</u> |
| <u>Total All Bonds</u> | | <u>7,699,505,729</u> | <u>6,207,858,774</u> | | | <u>270,598,807</u> | <u>404,478,179</u> |

NOTES:

¹ 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, 2024

Schedule VIII

Amounts in thousands of USD

| | Budgeted Amounts | | | Final Budget to Actual Positive (Negative) |
|--|------------------|----------|----------|---|
| | Original | Final | Actual | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | 865,054 | 841,333 | 798,828 | (42,505) |
| Revenue from Other Governments | 567 | 1,495 | 2,100 | 605 |
| Revenue from Other Funds | 75,476 | 96,303 | 44,959 | (51,344) |
| Total Revenues | 941,097 | 939,131 | 845,887 | (93,244) |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 192,464 | 191,509 | 179,055 | 12,454 |
| Pension Contributions | 72,934 | 73,973 | 73,381 | 592 |
| Other Employee Benefits | 75,243 | 74,203 | 70,164 | 4,039 |
| Sub-Total Employee Compensation | 340,641 | 339,685 | 322,600 | 17,085 |
| Purchase of Services | 257,864 | 257,864 | 200,748 | 57,116 |
| Materials and Supplies | 84,804 | 83,867 | 78,151 | 5,716 |
| Equipment | 10,006 | 10,944 | 7,608 | 3,336 |
| Contributions, Indemnities and Taxes | 6,510 | 6,510 | 6,626 | (116) |
| Debt Service | 209,772 | 209,772 | 209,694 | 78 |
| Payments to Other Funds | 71,500 | 71,500 | 56,919 | 14,581 |
| Total Expenditures and Encumbrances | 981,097 | 980,142 | 882,346 | 97,796 |
| Operating Surplus (Deficit) for the Year | (40,000) | (41,011) | (36,459) | 4,552 |
| Fund Balance Available for Appropriation, July 1, 2023 | - | - | - | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | 40,000 | 40,000 | 36,459 | (3,541) |
| Adjusted Fund Balance, July 1, 2023 | 40,000 | 40,000 | 36,459 | (3,541) |
| Fund Balance Available for Appropriation, June 30, 2024 | - | (1,011) | - | 1,011 |

City of Philadelphia
Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2024

Schedule IX

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Final Budget to Actual Positive (Negative)</u> |
|--|-------------------------|---------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | - | - | 910 | 910 |
| Revenue from Other Funds | <u>32,000</u> | <u>32,000</u> | <u>15,108</u> | <u>(16,892)</u> |
| Total Revenues | 32,000 | 32,000 | 16,018 | (15,982) |
| <u>Expenditures and Encumbrances</u> | | | | |
| Purchase of Services | 8,000 | 8,000 | - | 8,000 |
| Materials and Supplies | 8,000 | 8,000 | - | 8,000 |
| Payments to Other Funds | <u>16,994</u> | <u>16,994</u> | <u>1,687</u> | <u>15,307</u> |
| Total Expenditures and Encumbrances | <u>32,994</u> | <u>32,994</u> | <u>1,687</u> | <u>31,307</u> |
| Operating Surplus (Deficit) for the Year | <u>(994)</u> | <u>(994)</u> | <u>14,331</u> | <u>15,325</u> |
| Fund Balance Available for Appropriation, July 1, 2023 | 12,019 | 16,524 | 16,524 | - |
| Fund Balance Available for Appropriation, June 30, 2024 | <u>11,025</u> | <u>15,530</u> | <u>30,855</u> | <u>15,325</u> |

City of Philadelphia
 Budgetary Comparison Schedule
 County Liquid Fuels Tax Fund
 For the Fiscal Year Ended June 30, 2024

Schedule X

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | | Final Budget to Actual Positive (Negative) |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | 5 | 125 | 231 | 106 |
| Revenue from Other Governments | <u>10,524</u> | <u>10,524</u> | <u>5,785</u> | <u>(4,739)</u> |
| Total Revenues | 10,529 | 10,649 | 6,016 | (4,633) |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 3,734 | 3,762 | 2,700 | 1,062 |
| Purchase of Services | 6,720 | 8,592 | 5,706 | 2,886 |
| Materials and Supplies | 400 | 1,600 | 1,588 | 12 |
| Payments to Other Funds | <u>19</u> | <u>19</u> | <u>14</u> | <u>5</u> |
| Total Expenditures and Encumbrances | <u>10,873</u> | <u>13,973</u> | <u>10,008</u> | <u>3,965</u> |
| Operating Surplus (Deficit) for the Year | <u>(344)</u> | <u>(3,324)</u> | <u>(3,992)</u> | <u>(668)</u> |
| Fund Balance Available for Appropriation, July 1, 2023 | 13,227 | 13,289 | 13,289 | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | <u>25</u> | <u>25</u> | <u>-</u> | <u>(25)</u> |
| Adjusted Fund Balance, July 1, 2023 | <u>13,252</u> | <u>13,314</u> | <u>13,289</u> | <u>(25)</u> |
| Fund Balance Available for Appropriation, June 30, 2024 | <u><u>12,908</u></u> | <u><u>9,990</u></u> | <u><u>9,297</u></u> | <u><u>(693)</u></u> |

City of Philadelphia
Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2024

Schedule XI

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | | Final Budget to Actual Positive (Negative) |
|--|-------------------------|-----------------|-----------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | 35 | 630 | 1,016 | 386 |
| Revenue from Other Governments | <u>32,000</u> | <u>28,000</u> | <u>91</u> | <u>(27,909)</u> |
| Total Revenues | 32,035 | 28,630 | 1,107 | (27,523) |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 11,294 | 11,294 | 10,554 | 740 |
| Pension Contributions | 500 | 500 | 500 | - |
| Other Employee Benefits | <u>500</u> | <u>500</u> | <u>500</u> | <u>-</u> |
| Sub-Total Employee Compensation | 12,294 | 12,294 | 11,554 | 740 |
| Purchase of Services | 16,689 | 18,751 | 16,148 | 2,603 |
| Materials and Supplies | 5,463 | 5,202 | 4,935 | 267 |
| Equipment | 6,424 | 4,623 | 4,216 | 407 |
| Payments to Other Funds | <u>30</u> | <u>30</u> | <u>30</u> | <u>-</u> |
| Total Expenditures and Encumbrances | <u>40,900</u> | <u>40,900</u> | <u>36,883</u> | <u>4,017</u> |
| Operating Surplus (Deficit) for the Year | <u>(8,865)</u> | <u>(12,270)</u> | <u>(35,776)</u> | <u>(23,506)</u> |
| Fund Balance Available for Appropriation, July 1, 2023 | 45,738 | 48,665 | 48,665 | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | <u>500</u> | <u>500</u> | <u>1,572</u> | <u>1,072</u> |
| Adjusted Fund Balance, July 1, 2023 | <u>46,238</u> | <u>49,165</u> | <u>50,237</u> | <u>1,072</u> |
| Fund Balance Available for Appropriation, June 30, 2024 | <u>37,373</u> | <u>36,895</u> | <u>14,461</u> | <u>(22,434)</u> |

City of Philadelphia
Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2024

Schedule XII

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Final Budget to Actual Positive (Negative) |
|--|-------------------------|---------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Taxes | 81,000 | 81,000 | 79,875 | (1,125) |
| Locally Generated Non-Tax Revenue | <u>-</u> | <u>-</u> | <u>515</u> | <u>515</u> |
| Total Revenues | 81,000 | 81,000 | 80,390 | (610) |
| <u>Expenditures and Encumbrances</u> | | | | |
| Contributions, Indemnities and Taxes | <u>81,000</u> | <u>81,000</u> | <u>81,000</u> | <u>-</u> |
| Total Expenditures and Encumbrances | <u>81,000</u> | <u>81,000</u> | <u>81,000</u> | <u>-</u> |
| Operating Surplus (Deficit) for the Year | <u>-</u> | <u>-</u> | <u>(610)</u> | <u>(610)</u> |
| Fund Balance Available for Appropriation, July 1, 2023 | - | (17,297) | (17,297) | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | <u>-</u> | <u>17,297</u> | <u>28,027</u> | <u>10,730</u> |
| Adjusted Fund Balance, July 1, 2023 | <u>-</u> | <u>-</u> | <u>10,730</u> | <u>10,730</u> |
| Fund Balance Available for Appropriation, June 30, 2024 | <u>-</u> | <u>-</u> | <u>10,120</u> | <u>10,120</u> |

City of Philadelphia
Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2024

Schedule XIII

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Final Budget to Actual Positive (Negative) |
|--|-------------------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | 510,166 | 528,687 | 476,919 | (51,768) |
| Revenue from Other Governments | 1,650 | 4,520 | 5,017 | 497 |
| Revenue from Other Funds | 1,304 | 1,304 | 1,737 | 433 |
| Total Revenues | 513,120 | 534,511 | 483,673 | (50,838) |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 85,859 | 92,859 | 89,551 | 3,308 |
| Pension Contributions | 26,936 | 30,136 | 29,333 | 803 |
| Other Employee Benefits | 31,169 | 27,969 | 23,232 | 4,737 |
| Sub-Total Employee Compensation | 143,964 | 150,964 | 142,116 | 8,848 |
| Purchase of Services | 164,188 | 164,188 | 141,124 | 23,064 |
| Materials and Supplies | 9,024 | 9,041 | 7,052 | 1,989 |
| Equipment | 7,378 | 7,361 | 3,993 | 3,368 |
| Contributions, Indemnities and Taxes | 8,812 | 12,812 | 7,605 | 5,207 |
| Debt Service | 168,998 | 168,998 | 153,886 | 15,112 |
| Payments to Other Funds | 33,019 | 33,019 | 16,100 | 16,919 |
| Total Expenditures and Encumbrances | 535,383 | 546,383 | 471,876 | 74,507 |
| Operating Surplus (Deficit) for the Year | (22,263) | (11,872) | 11,797 | 23,669 |
| Fund Balance Available for Appropriation, July 1, 2023 | 354,670 | 426,430 | 426,430 | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | 15,000 | 15,000 | 6,076 | (8,924) |
| Adjusted Fund Balance, July 1, 2023 | 369,670 | 441,430 | 432,506 | (8,924) |
| Fund Balance Available for Appropriation, June 30, 2024 | 347,407 | 429,558 | 444,303 | 14,745 |

City of Philadelphia
 Budgetary Comparison Schedule
 Community Development Fund
 For the Fiscal Year Ended June 30, 2024

Schedule XIV

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Final Budget to Actual Positive (Negative)</u> |
|--|-------------------------|-----------------|-----------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | 500 | 500 | 28 | (472) |
| Revenue from Other Governments | <u>275,319</u> | <u>255,318</u> | <u>51,222</u> | <u>(204,096)</u> |
| Total Revenues | 275,819 | 255,818 | 51,250 | (204,568) |
| <u>Other Sources</u> | | | | |
| Decrease in Unreimbursed Commitments | <u>-</u> | <u>-</u> | <u>(285)</u> | <u>(285)</u> |
| Total Revenues and Other Sources | <u>275,819</u> | <u>255,818</u> | <u>50,965</u> | <u>(204,853)</u> |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 7,806 | 7,874 | 5,339 | 2,535 |
| Pension Contributions | 3,359 | 3,437 | 2,435 | 1,002 |
| Other Employee Benefits | <u>2,496</u> | <u>2,435</u> | <u>1,627</u> | <u>808</u> |
| Sub-Total Employee Compensation | 13,661 | 13,746 | 9,401 | 4,345 |
| Purchase of Services | 241,869 | 241,785 | 39,479 | 202,306 |
| Materials and Supplies | 209 | 151 | 25 | 126 |
| Equipment | 55 | 113 | 85 | 28 |
| Payments to Other Funds | 25 | 25 | 25 | - |
| Advances, Subsidies, Miscellaneous | <u>20,000</u> | <u>20,000</u> | <u>-</u> | <u>20,000</u> |
| Total Expenditures and Encumbrances | <u>275,819</u> | <u>275,820</u> | <u>49,015</u> | <u>226,805</u> |
| Operating Surplus (Deficit) for the Year | <u>-</u> | <u>(20,002)</u> | <u>1,950</u> | <u>21,952</u> |
| Fund Balance Available for Appropriation, July 1, 2023 | - | (28,297) | (28,297) | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | <u>-</u> | <u>19,323</u> | <u>458</u> | <u>(18,865)</u> |
| Adjusted Fund Balance, July 1, 2023 | <u>-</u> | <u>(8,974)</u> | <u>(27,839)</u> | <u>(18,865)</u> |
| Fund Balance Available for Appropriation, June 30, 2024 | <u>-</u> | <u>(28,976)</u> | <u>(25,889)</u> | <u>3,087</u> |

City of Philadelphia
 Budgetary Comparison Schedule
 Car Rental Tax Fund
 For the Fiscal Year Ended June 30, 2024

Schedule XV

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Final Budget to Actual Positive (Negative) |
|--|-------------------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Taxes | 7,000 | 7,300 | 7,312 | 12 |
| Locally Generated Non-Tax Revenue | <u>25</u> | <u>200</u> | <u>307</u> | <u>107</u> |
| Total Revenues | 7,025 | 7,500 | 7,619 | 119 |
| <u>Expenditures and Encumbrances</u> | | | | |
| Purchase of Services | <u>7,000</u> | <u>7,000</u> | <u>7,000</u> | <u>-</u> |
| Total Expenditures and Encumbrances | 7,000 | 7,000 | 7,000 | - |
| Operating Surplus (Deficit) for the Year | <u>25</u> | <u>500</u> | <u>619</u> | <u>119</u> |
| Fund Balance Available for Appropriation, July 1, 2023 | <u>8,383</u> | <u>8,518</u> | <u>8,518</u> | <u>-</u> |
| Fund Balance Available for Appropriation, June 30, 2024 | <u>8,408</u> | <u>9,018</u> | <u>9,137</u> | <u>119</u> |

City of Philadelphia
Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2024

Schedule XVI

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | | Final Budget to Actual Positive (Negative) |
|--|-------------------------|-----------------|----------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | 13,569 | 15,264 | 16,041 | 777 |
| Revenue from Other Funds | <u>30,613</u> | <u>30,613</u> | <u>30,613</u> | <u>-</u> |
| Total Revenues | 44,182 | 45,877 | 46,654 | 777 |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 4,214 | 4,215 | 3,245 | 970 |
| Purchase of Services | 107,310 | 107,309 | 51,972 | 55,337 |
| Equipment | <u>150</u> | <u>150</u> | <u>-</u> | <u>150</u> |
| Total Expenditures and Encumbrances | 111,674 | 111,674 | 55,217 | 56,457 |
| Operating Surplus (Deficit) for the Year | <u>(67,492)</u> | <u>(65,797)</u> | <u>(8,563)</u> | <u>57,234</u> |
| Fund Balance Available for Appropriation, July 1, 2023 | 30,611 | 20,240 | 20,240 | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | <u>36,881</u> | <u>10,000</u> | <u>1,356</u> | <u>(8,644)</u> |
| Adjusted Fund Balance, July 1, 2023 | <u>67,492</u> | <u>30,240</u> | <u>21,596</u> | <u>(8,644)</u> |
| Fund Balance Available for Appropriation, June 30, 2024 | <u>-</u> | <u>(35,557)</u> | <u>13,033</u> | <u>48,590</u> |

City of Philadelphia
 Budgetary Comparison Schedule
 General Capital Improvement Funds
 For the Fiscal Year Ended June 30, 2024

Schedule XVII

Amounts in thousands of USD

| | Budgeted Amounts | | | Final Budget to Actual Positive (Negative) |
|--|------------------|-----------|-----------|---|
| | Original | Final | Actual | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | 2,418,998 | 2,527,948 | 998 | (2,526,950) |
| Revenue from Other Governments | - | - | 52,478 | 52,478 |
| Revenue from Other Funds | - | - | 138,889 | 138,889 |
| | | | | |
| Total Revenues | 2,418,998 | 2,527,948 | 192,365 | (2,335,583) |
| <u>Expenditures and Encumbrances</u> | | | | |
| Capital Outlay | 2,418,998 | 2,527,948 | 431,856 | 2,096,092 |
| | | | | |
| Operating Surplus (Deficit) for the Year | - | - | (239,491) | (239,491) |
| | | | | |
| Fund Balance Available for Appropriation, July 1, 2023 | - | - | 56,394 | 56,394 |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | - | - | 17,348 | 17,348 |
| Prior Period Adjustments | - | - | 151 | 151 |
| | | | | |
| Adjusted Fund Balance, July 1, 2023 | - | - | 73,893 | 73,893 |
| | | | | |
| Fund Balance Available for Appropriation, June 30, 2024 | - | - | (165,598) | (165,598) |

City of Philadelphia
Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2024

Schedule XVIII

Amounts in thousands of USD

| | Budgeted Amounts | | | Final Budget to Actual Positive (Negative) |
|--|------------------|---------|---------|---|
| | Original | Final | Actual | |
| <u>Revenues</u> | | | | |
| Tax Revenue | 250,000 | 250,000 | 190,324 | (59,676) |
| Total Revenues | 250,000 | 250,000 | 190,324 | (59,676) |
| <u>Other Sources</u> | | | | |
| Increase in Unreimbursed Commitments | - | - | 89 | 89 |
| Total Revenues and Other Sources | 250,000 | 250,000 | 190,413 | (59,587) |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 8,076 | 8,076 | 4,332 | 3,744 |
| Other Employee Benefits | 285 | 286 | 286 | - |
| Sub-Total Employee Compensation | 8,361 | 8,362 | 4,618 | 3,744 |
| Purchase of Services | 242,216 | 242,215 | 181,603 | 60,612 |
| Materials and Supplies | 505 | 135 | 135 | - |
| Equipment | 560 | 930 | 913 | 17 |
| Payments to Other Funds | 4,500 | 4,500 | 4,500 | - |
| Total Expenditures and Encumbrances | 256,142 | 256,142 | 191,769 | 64,373 |
| Operating Surplus (Deficit) for the Year | (6,142) | (6,142) | (1,356) | 4,786 |
| Fund Balance Available for Appropriation, July 1, 2023 | 14,285 | 20,867 | 20,867 | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | 2,000 | 2,000 | 653 | (1,347) |
| Adjusted Fund Balance, July 1, 2023 | 16,285 | 22,867 | 21,520 | (1,347) |
| Fund Balance Available for Appropriation, June 30, 2024 | 10,143 | 16,725 | 20,164 | 3,439 |

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2024 (with comparative actual amounts for the Fiscal Year Ended June 30, 2023)

Schedule XIX

Amounts in thousands of USD

| | Budgeted Amounts | | | Final Budget to Actual Positive (Negative) | | Increase (Decrease) |
|--|------------------|-----------|-------------------|---|-------------------|------------------------|
| | Original | Final | FY 2024 Actual | | FY 2023 Actual | |
| Revenue | | | | | | |
| Taxes | | | | | | |
| Real Property Tax: | | | | | | |
| Current | 817,184 | 796,957 | 803,152 | 6,195 | 780,285 | 22,867 |
| Prior Years | 28,699 | 28,699 | 34,940 | 6,241 | 29,283 | 5,657 |
| Total Real Property Tax | 845,883 | 825,656 | 838,092 | 12,436 | 809,568 | 28,524 |
| Wage and Earnings Taxes: | | | | | | |
| Current | 1,761,746 | 1,838,931 | 1,840,188 | 1,257 | 1,730,139 | 110,049 |
| Prior Years | 5,400 | 5,400 | 2,716 | (2,684) | 2,703 | 13 |
| Total Wage and Earnings Taxes | 1,767,146 | 1,844,331 | 1,842,904 | (1,427) | 1,732,842 | 110,062 |
| Business Taxes: | | | | | | |
| Business Income & Receipts Taxes: | | | | | | |
| Current | 634,709 | 571,687 | 645,934 | 74,247 | 650,774 | (4,840) |
| Prior Years | 35,000 | 35,000 | 33,817 | (1,183) | 22,482 | 11,335 |
| Total Business Income & Receipts Taxes | 669,709 | 606,687 | 679,751 | 73,064 | 673,256 | 6,495 |
| Net Profits Tax: | | | | | | |
| Current | 42,340 | 39,060 | 31,833 | (7,227) | 33,868 | (2,035) |
| Prior Years | 4,700 | 4,700 | 10,734 | 6,034 | 5,122 | 5,612 |
| Total Net Profits Tax | 47,040 | 43,760 | 42,567 | (1,193) | 38,990 | 3,577 |
| Total Business Taxes | 716,749 | 650,447 | 722,318 | 71,871 | 712,246 | 10,072 |
| Other Taxes: | | | | | | |
| Sales Tax | 307,085 | 300,454 | 300,031 | (423) | 302,201 | (2,170) |
| Amusement Tax | 33,404 | 38,320 | 40,800 | 2,480 | 36,144 | 4,656 |
| Beverage Tax | 73,501 | 70,342 | 69,576 | (766) | 73,444 | (3,868) |
| Real Property Transfer Tax | 388,930 | 271,808 | 265,587 | (6,221) | 378,782 | (113,195) |
| Parking Lot Tax | - | - | - | - | 101,941 | (101,941) |
| Smokeless Tobacco | 1,112 | 576 | 508 | (68) | 574 | (66) |
| Miscellaneous Taxes | 7,396 | 6,746 | 8,134 | 1,388 | 6,557 | 1,577 |
| Total Other Taxes | 811,428 | 688,246 | 684,636 | (3,610) | 899,643 | (215,007) |
| Total Taxes | 4,141,206 | 4,008,680 | 4,087,950 | 79,270 | 4,154,299 | (66,349) |
| Locally Generated Non-Tax Revenue | | | | | | |
| Rentals from Leased City Properties | 3,481 | 3,481 | 3,738 | 257 | 3,851 | (113) |
| Licenses and Permits | 69,738 | 70,223 | 71,896 | 1,673 | 76,756 | (4,860) |
| Fines, Forfeits, Penalties, Confiscated | | | | | | |
| Money and Property | 26,687 | 15,630 | 13,292 | (2,338) | 12,138 | 1,154 |
| Interest Income | 20,280 | 76,250 | 104,959 | 28,709 | 72,990 | 31,969 |
| Service Charges and Fees | 177,444 | 179,108 | 184,759 | 5,651 | 160,160 | 24,599 |
| Other | 89,103 | 63,917 | 77,682 | 13,765 | 89,222 | (11,540) |
| Total Locally Generated Non-Tax Revenue | 386,733 | 408,609 | 456,326 | 47,717 | 415,117 | 41,209 |
| Revenue from Other Governments | | | | | | |
| United States Government: | | | | | | |
| Grants and Reimbursements | 31,460 | 42,844 | 37,894 | (4,950) | 92,345 | (54,451) |
| Commonwealth of Pennsylvania: | | | | | | |
| Grants and Other Payments | 254,735 | 258,822 | 261,495 | 2,673 | 253,053 | 8,442 |
| Other Governmental Units | 739,145 | 771,785 | 765,132 | (6,653) | 751,183 | 13,949 |
| Total Revenue from Other Governments | 1,025,340 | 1,073,451 | 1,064,521 | (8,930) | 1,096,581 | (32,060) |
| Revenue from Other Funds | | | | | | |
| | 458,835 | 454,830 | 454,778 | (52) | 381,017 | 73,761 |
| Total Revenues | 6,012,114 | 5,945,570 | 6,063,575 | 118,005 | 6,047,014 | 16,561 |

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2024 (with comparative actual amounts for the Fiscal Year Ended June 30, 2023)

Schedule XIX

Amounts in thousands of USD

| | Budgeted Amounts | | | Final Budget to Actual | | |
|---|------------------|-----------|-------------------|---------------------------|-------------------|------------------------|
| | Original | Final | FY 2024 Actual | Positive (Negative) | FY 2023 Actual | Increase (Decrease) |
| Obligations | | | | | | |
| General Government | | | | | | |
| City Council | 19,751 | 23,790 | 19,436 | 4,354 | 17,642 | 1,794 |
| Mayor's Office: | | | | | | |
| Mayor's Office | 6,068 | 8,241 | 8,201 | 40 | 6,757 | 1,444 |
| Scholarships | 100 | 60 | 60 | - | 76 | (16) |
| Mural Arts Program | 3,683 | 4,183 | 3,507 | 676 | 3,199 | 308 |
| Labor Relations | 4,769 | 5,123 | 4,043 | 1,080 | 3,390 | 653 |
| Chief Administrative Office | 18,421 | 19,037 | 14,546 | 4,491 | 13,745 | 801 |
| Community Schools & Pre-K | 481 | 481 | 481 | - | 503 | (22) |
| Community Services | 3,450 | 3,451 | 2,667 | 784 | 1,704 | 963 |
| Inspector General | 2,347 | 2,347 | 1,875 | 472 | 1,625 | 250 |
| Sustainability | 2,975 | 3,443 | 3,443 | - | 2,169 | 1,274 |
| Office of Information Technology | 128,271 | 129,674 | 105,820 | 23,854 | 107,096 | (1,276) |
| Procurement | 7,236 | 7,236 | 6,171 | 1,065 | 6,349 | (178) |
| Office of Property Assessment | 18,310 | 18,310 | 15,397 | 2,913 | 15,366 | 31 |
| Law | 28,855 | 32,793 | 33,089 | (296) | 24,888 | 8,201 |
| Board of Ethics | 1,382 | 1,382 | 1,049 | 333 | 1,009 | 40 |
| Commission on Human Relations | 2,756 | 2,756 | 2,540 | 216 | 2,388 | 152 |
| Board of Revision of Taxes | 1,192 | 1,212 | 1,212 | - | 1,092 | 120 |
| Department of Planning & Development | 35,404 | 35,604 | 32,729 | 2,875 | 34,759 | (2,030) |
| Total General Government | 285,451 | 299,123 | 256,266 | 42,857 | 243,757 | 12,509 |
| Operation of Service Departments | | | | | | |
| Managing Director | 252,227 | 256,876 | 243,559 | 13,317 | 165,757 | 77,802 |
| Police | 855,832 | 917,402 | 861,852 | 55,550 | 829,211 | 32,641 |
| Streets | 163,139 | 208,312 | 201,781 | 6,531 | 223,507 | (21,726) |
| Fire | 400,795 | 411,527 | 411,289 | 238 | 395,727 | 15,562 |
| Public Health | 148,736 | 156,899 | 152,015 | 4,884 | 132,075 | 19,940 |
| Office-Behavioral Health | 29,024 | 29,724 | 29,724 | - | 27,986 | 1,738 |
| Parks and Recreation | 79,418 | 89,481 | 83,015 | 6,466 | 75,227 | 7,788 |
| Public Property | 273,837 | 276,465 | 273,435 | 3,030 | 259,727 | 13,708 |
| Department of Human Services | 219,710 | 219,886 | 216,594 | 3,292 | 184,753 | 31,841 |
| Philadelphia Prisons | 292,774 | 307,423 | 252,909 | 54,514 | 235,170 | 17,739 |
| Office of Homeless Services | 80,557 | 91,573 | 82,063 | 9,510 | 78,342 | 3,721 |
| Department of Fleet Services | 70,613 | 98,185 | 97,792 | 393 | 78,311 | 19,481 |
| Licenses and Inspections | 44,258 | 46,295 | 42,220 | 4,075 | 38,917 | 3,303 |
| Board of L & I Review | 183 | 183 | 181 | 2 | 180 | 1 |
| Board of Building Standards | 87 | 87 | 86 | 1 | 84 | 2 |
| Records | 4,564 | 4,843 | 4,368 | 475 | 4,113 | 255 |
| Art Museum | 2,142 | 2,142 | 2,142 | - | 2,040 | 102 |
| Philadelphia Free Library | 70,935 | 70,935 | 59,444 | 11,491 | 50,534 | 8,910 |
| Total Operations of Service Departments | 2,988,831 | 3,188,238 | 3,014,469 | 173,769 | 2,781,661 | 232,808 |
| Financial Management | | | | | | |
| Office of Director of Finance | 190,900 | 118,286 | 69,712 | 48,574 | 21,668 | 48,044 |
| Department of Revenue | 28,855 | 30,455 | 25,736 | 4,719 | 25,543 | 193 |
| Sinking Fund Commission | 324,218 | 324,218 | 294,426 | 29,792 | 292,885 | 1,541 |
| City Treasurer | 5,115 | 5,115 | 4,175 | 940 | 4,797 | (622) |
| Audit of City Operations | 11,148 | 11,148 | 10,254 | 894 | 9,734 | 520 |
| Total Financial Management | 560,236 | 489,222 | 404,303 | 84,919 | 354,627 | 49,676 |

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2024 (with comparative actual amounts for the Fiscal Year Ended June 30, 2023)

Schedule XIX

Amounts in thousands of USD

| | Budgeted Amounts | | | Final Budget to Actual | | |
|---|------------------|-----------|-------------------|---------------------------|-------------------|------------------------|
| | Original | Final | FY 2024 Actual | Positive (Negative) | FY 2023 Actual | Increase (Decrease) |
| Obligations (Continued) | | | | | | |
| City-Wide Appropriations Under the Director of Finance | | | | | | |
| Fringe Benefits | 1,660,995 | 1,659,632 | 1,659,632 | - | 1,626,169 | 33,463 |
| Community College of Philadelphia | 39,451 | 61,003 | 61,003 | - | 56,329 | 4,674 |
| Hero Award | 50 | 50 | 22 | 28 | 24 | (2) |
| Refunds | 250 | 1,063 | 238 | 825 | 124 | 114 |
| Indemnities | 49,246 | - | - | - | - | - |
| Office of Risk Management | 5,326 | 4,939 | 4,719 | 220 | 4,087 | 632 |
| Witness Fees | 180 | 330 | 234 | 96 | 90 | 144 |
| Payments to Capital | - | 63,560 | 63,560 | - | 198,188 | (134,628) |
| Payments to Housing Trust | - | 30,613 | 30,613 | - | 29,066 | 1,547 |
| Payments to Budget Stabilization | - | 42,261 | 42,261 | - | 65,128 | (22,867) |
| Contribution to School District | 282,053 | 282,053 | 282,053 | - | 269,953 | 12,100 |
| Total City-Wide Under Director of Finance | 2,037,551 | 2,145,504 | 2,144,335 | 1,169 | 2,249,158 | (104,823) |
| Promotion and Public Relations | | | | | | |
| Commerce - Economic Development | 49,880 | 54,793 | 53,489 | 1,304 | 44,120 | 9,369 |
| Total Promotion and Public Relations | 49,880 | 54,793 | 53,489 | 1,304 | 44,120 | 9,369 |
| Personnel | | | | | | |
| Civil Service Commission | 13,574 | 11,414 | 186 | 11,228 | 183 | 3 |
| Personnel Director | 12,711 | 14,935 | 14,033 | 902 | 7,658 | 6,375 |
| Total Personnel | 26,285 | 26,349 | 14,219 | 12,130 | 7,841 | 6,378 |
| Administration of Justice | | | | | | |
| Register of Wills | 5,025 | 5,150 | 5,045 | 105 | 4,734 | 311 |
| District Attorney | 51,119 | 54,119 | 54,119 | - | 50,124 | 3,995 |
| Sheriff | 32,866 | 34,218 | 32,881 | 1,337 | 31,658 | 1,223 |
| First Judicial District | 127,685 | 128,367 | 128,367 | - | 121,636 | 6,731 |
| Total Administration of Justice | 216,695 | 221,854 | 220,412 | 1,442 | 208,152 | 12,260 |
| City-Wide Appropriations Under the First Judicial District | | | | | | |
| Juror Fees | 1,367 | 943 | 388 | 555 | 845 | (457) |
| Conduct of Elections | | | | | | |
| City Commissioners | 29,118 | 29,118 | 26,854 | 2,264 | 28,220 | (1,366) |
| Total Obligations | 6,195,414 | 6,455,144 | 6,134,735 | 320,409 | 5,918,381 | 216,354 |
| Operating Surplus (Deficit) for the Year | (183,300) | (509,574) | (71,160) | 438,414 | 128,633 | (199,793) |

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Water Operating Fund
For the Fiscal Year Ended June 30, 2024 (with comparative actual amounts for the Fiscal Year Ended June 30, 2023)

Schedule XX

Amounts in thousands of USD

| | Budgeted Amounts | | | Final Budget to Actual | | |
|---|------------------|----------|-------------------|---------------------------|-------------------|------------------------|
| | Original | Final | FY 2024 Actual | Positive (Negative) | FY 2023 Actual | Increase (Decrease) |
| <u>Revenue</u> | | | | | | |
| <u>Locally Generated Non-Tax Revenue</u> | | | | | | |
| Sales and Charges - Current | 744,225 | 720,334 | 679,029 | (41,305) | 646,903 | 32,126 |
| Sales and Charges - Prior Years | 60,550 | 58,645 | 50,033 | (8,612) | 59,573 | (9,540) |
| Fire Service Connections | 4,150 | 4,017 | 4,853 | 836 | 3,818 | 1,035 |
| Surcharges | 1,975 | 3,830 | 4,835 | 1,005 | 5,136 | (301) |
| Fines and Penalties | 1,000 | 1,835 | 258 | (1,577) | 751 | (493) |
| Miscellaneous Charges | 2,692 | 2,610 | 2,682 | 72 | 3,764 | (1,082) |
| Charges to Other Municipalities | 36,500 | 36,500 | 44,199 | 7,699 | 42,280 | 1,919 |
| Licenses and Permits | 7,642 | 7,642 | 6,526 | (1,116) | 7,934 | (1,408) |
| Interest Income | 3,000 | 3,000 | 2,546 | (454) | 1,473 | 1,073 |
| Fleet Services - Sale of Vehicles & Equipment | 20 | 15 | - | (15) | 46 | (46) |
| Reimbursement of Expenditures | - | - | 299 | 299 | 186 | 113 |
| Repair Loan Program | 3,300 | 2,905 | 3,531 | 626 | 3,998 | (467) |
| Other | - | - | 37 | 37 | 2 | 35 |
| Total Locally Generated Non-Tax Revenue | 865,054 | 841,333 | 798,828 | (42,505) | 775,864 | 22,964 |
| <u>Revenue from Other Governments</u> | | | | | | |
| State | 567 | 941 | 1,512 | 571 | 792 | 720 |
| Federal | - | 554 | 588 | 34 | - | 588 |
| Total Revenue from Other Governments | 567 | 1,495 | 2,100 | 605 | 792 | 1,308 |
| <u>Revenue from Other Funds</u> | | | | | | |
| | 75,476 | 96,303 | 44,959 | (51,344) | 40,220 | 4,739 |
| Total Revenues | 941,097 | 939,131 | 845,887 | (93,244) | 816,876 | 29,011 |
| <u>Obligations</u> | | | | | | |
| Office of Innovation and Technology | 40,126 | 40,126 | 30,605 | 9,521 | 27,629 | 2,976 |
| Managing Director's Office | 138 | 138 | - | 138 | - | - |
| Public Property | 5,495 | 5,495 | 5,495 | - | 4,612 | 883 |
| Department of Fleet Management | 9,237 | 9,237 | 8,492 | 745 | 8,206 | 286 |
| Water Department | 536,150 | 541,193 | 461,686 | 79,507 | 452,543 | 9,143 |
| City-Wide Appropriation Under the Director of Finance: | | | | | | |
| Pension Contributions | 72,893 | 73,933 | 73,381 | 552 | 68,614 | 4,767 |
| Other Employee Benefits | 75,283 | 74,243 | 70,164 | 4,079 | 65,209 | 4,955 |
| Contributions, Indemnities and Taxes | 6,000 | - | 126 | (126) | 1,011 | (885) |
| Department of Revenue | 18,031 | 18,031 | 15,823 | 2,208 | 13,780 | 2,043 |
| Sinking Fund Commission | 209,772 | 209,772 | 209,694 | 78 | 199,767 | 9,927 |
| Procurement Department | 127 | 127 | - | 127 | 84 | (84) |
| City Treasurer | 2,650 | 2,650 | 2,164 | 486 | - | 2,164 |
| Law | 4,216 | 4,216 | 4,072 | 144 | 4,053 | 19 |
| Mayor's Office of Sustainability | 183 | 183 | 183 | - | 133 | 50 |
| Water, Sewer and Stormwater Rate Board | 796 | 798 | 461 | 337 | 470 | (9) |
| Total Obligations | 981,097 | 980,142 | 882,346 | 97,796 | 846,111 | 36,235 |
| Operating Surplus (Deficit) for the Year | (40,000) | (41,011) | (36,459) | 4,552 | (29,235) | (7,224) |

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2024 (with comparative actual amounts for the Fiscal Year Ended June 30, 2023)

Schedule XXI

Amounts in thousands of USD

| | Budgeted Amounts | | | Final Budget to Actual | | |
|---|------------------|----------|-------------------|---------------------------|-------------------|------------------------|
| | Original | Final | FY 2024 Actual | Positive (Negative) | FY 2023 Actual | Increase (Decrease) |
| <u>Revenue</u> | | | | | | |
| <u>Locally Generated Non-Tax Revenue</u> | | | | | | |
| Concessions | 57,157 | 57,157 | 78,068 | 20,911 | 60,545 | 17,523 |
| Space Rentals | 161,537 | 161,537 | 143,467 | (18,070) | 131,568 | 11,899 |
| Landing Fees | 107,646 | 107,646 | 71,134 | (36,512) | 72,058 | (924) |
| Parking | 65,301 | 74,301 | 67,549 | (6,752) | 66,452 | 1,097 |
| Car Rentals | 30,131 | 30,131 | 22,038 | (8,093) | 21,655 | 383 |
| Interest Earnings | 2,500 | 12,000 | 28,595 | 16,595 | 15,452 | 13,143 |
| Sale of Utilities | 2,613 | 2,613 | 2,741 | 128 | 5,998 | (3,257) |
| Passenger Facility Charge | 42,317 | 42,317 | 40,054 | (2,263) | 16,890 | 23,164 |
| Overseas Terminal Facility Charges | 72 | 72 | 40 | (32) | 12 | 28 |
| International Terminal Charge | 37,516 | 37,516 | 17,869 | (19,647) | 28,844 | (10,975) |
| Other | 3,376 | 3,397 | 5,364 | 1,967 | 6,050 | (686) |
| Total Locally Generated Non-Tax Revenue | 510,166 | 528,687 | 476,919 | (51,768) | 425,524 | 51,395 |
| <u>Revenue from Other Governments</u> | | | | | | |
| Federal | 1,650 | 4,520 | 5,017 | 497 | 75,792 | (70,775) |
| Total Revenue from Other Governments | 1,650 | 4,520 | 5,017 | 497 | 75,792 | (70,775) |
| <u>Revenue from Other Funds</u> | | | | | | |
| | 1,304 | 1,304 | 1,737 | 433 | 1,299 | 438 |
| Total Revenue | 513,120 | 534,511 | 483,673 | (50,838) | 502,615 | (18,942) |
| <u>Obligations</u> | | | | | | |
| Office of Innovation and Technology | 3,263 | 3,263 | 2,307 | 956 | 2,187 | 120 |
| Police | 19,151 | 19,151 | 18,189 | 962 | 17,871 | 318 |
| Fire | 10,385 | 10,385 | 10,259 | 126 | 9,829 | 430 |
| Public Property | 17,400 | 17,400 | 15,137 | 2,263 | 16,264 | (1,127) |
| Department of Fleet Services | 6,405 | 6,405 | 5,266 | 1,139 | 12,749 | (7,483) |
| City-Wide Appropriation Under the Director of Finance: | | | | | | |
| Pension Contributions | 26,921 | 30,121 | 29,333 | 788 | 26,227 | 3,106 |
| Other Employee Benefits | 31,185 | 27,985 | 23,232 | 4,753 | 21,392 | 1,840 |
| Purchase of Services | 4,800 | 4,800 | 4,462 | 338 | 3,942 | 520 |
| Contributions, Indemnities and Taxes | 2,512 | 1,376 | - | 1,376 | - | - |
| Sinking Fund Commission | 168,997 | 168,997 | 153,886 | 15,111 | 116,337 | 37,549 |
| Commerce | - | - | - | - | 189,107 | (189,107) |
| Law | 1,653 | 1,653 | 1,561 | 92 | 1,585 | (24) |
| Office of Sustainability | 111 | 111 | 111 | - | 111 | - |
| Department of Aviation | 242,600 | 254,736 | 208,133 | 46,603 | - | 208,133 |
| Total Obligations | 535,383 | 546,383 | 471,876 | 74,507 | 417,601 | 54,275 |
| Operating Surplus (Deficit) for the Year | (22,263) | (11,872) | 11,797 | 23,669 | 85,014 | (73,217) |

Note: Department of Aviation was split from Commerce and became separate department effective July 1, 2023.

City of Philadelphia
 Budgetary Comparison Schedule
 Budget Stabilization Fund
 For the Fiscal Year Ended June 30, 2024

Schedule XXII

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Final Budget to Actual Positive (Negative) |
|--|-------------------------|----------------|----------------|---|
| <u>Revenues</u> | <u>Original</u> | <u>Final</u> | | |
| Locally Generated Non-Tax Revenue | - | 5,000 | 5,410 | 410 |
| Revenue from Other Funds | <u>42,261</u> | <u>42,261</u> | <u>42,261</u> | <u>-</u> |
| Total Revenues | <u>42,261</u> | <u>47,261</u> | <u>47,671</u> | <u>410</u> |
| Operating Surplus (Deficit) for the Year | <u>42,261</u> | <u>47,261</u> | <u>47,671</u> | <u>410</u> |
| Fund Balance Available for Appropriation, July 1, 2023 | 65,128 | 65,128 | 65,128 | - |
| Fund Balance Available for Appropriation, June 30, 2024 | <u>107,389</u> | <u>112,389</u> | <u>112,799</u> | <u>410</u> |

City of Philadelphia
 Budgetary Comparison Schedule
 County Demolition Fund
 For the Fiscal Year Ended June 30, 2024

Schedule XXIII

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Final Budget to Actual Positive (Negative) |
|--|-------------------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | <u>1,000</u> | <u>1,000</u> | <u>1,103</u> | <u>103</u> |
| Total Revenues | 1,000 | 1,000 | 1,103 | 103 |
| <u>Expenditures and Encumbrances</u> | | | | |
| Purchase of Services | <u>1,000</u> | <u>1,000</u> | <u>1,000</u> | <u>-</u> |
| Total Expenditures and Encumbrances | <u>1,000</u> | <u>1,000</u> | <u>1,000</u> | <u>-</u> |
| Operating Surplus (Deficit) for the Year | <u>-</u> | <u>-</u> | <u>103</u> | <u>103</u> |
| Fund Balance Available for Appropriation, July 1, 2023 | - | 296 | 296 | - |
| Fund Balance Available for Appropriation, June 30, 2024 | <u>-</u> | <u>296</u> | <u>399</u> | <u>103</u> |

City of Philadelphia
Budgetary Comparison Schedule
Transportation Fund
For the Fiscal Year Ended June 30, 2024

Schedule XXIV

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Final Budget to Actual Positive (Negative) |
|--|-------------------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Tax Revenue | 104,647 | 104,734 | 104,275 | (459) |
| Locally Generated Non-Tax Revenue | 8,640 | 8,640 | 13,646 | 5,006 |
| Revenue from Other Governments | 3,325 | 3,325 | 2,500 | (825) |
| | | | | |
| Total Revenues | 116,612 | 116,699 | 120,421 | 3,722 |
| | | | | |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 50,455 | 44,444 | 44,444 | - |
| Pension Contributions | 12,970 | 18,331 | 18,331 | - |
| Other Employee Benefits | 12,043 | 6,683 | 6,683 | - |
| Sub-Total Employee Compensation | 75,468 | 69,458 | 69,458 | - |
| | | | | |
| Purchase of Services | 13,991 | 10,390 | 10,390 | - |
| Materials and Supplies | 5,140 | 4,888 | 4,888 | - |
| Equipment | 4,485 | 4,310 | 4,310 | - |
| Contributions, Indemnities and Taxes | - | 11,987 | 11,987 | - |
| Payments to Other Funds | - | 445 | 445 | - |
| | | | | |
| Total Expenditures and Encumbrances | 99,084 | 101,478 | 101,478 | - |
| | | | | |
| Operating Surplus (Deficit) for the Year | 17,528 | 15,221 | 18,943 | 3,722 |
| | | | | |
| Fund Balance Available for Appropriation, July 1, 2023 | - | - | - | - |
| | | | | |
| Fund Balance Available for Appropriation, June 30, 2024 | 17,528 | 15,221 | 18,943 | 3,722 |

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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| Table 10 | Principal Property Tax Payers | 214 |
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Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.

| | | |
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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

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City of Philadelphia
Net Position by Component
For the Fiscal Years 2015 Through 2024

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <u>Governmental Activities</u> | | | | | | | | | | |
| Net Investment in Capital Assets | 1,040.8 | 955.2 | 1,006.6 | 645.2 | 738.6 | 538.6 | 655.4 | 622.6 | 837.7 | 1,094.6 |
| Restricted | 576.5 | 625.1 | 553.8 | 793.2 | 867.9 | 955.0 | 842.7 | 1,115.4 | 1,465.1 | 1,390.0 |
| Unrestricted | <u>(7,880.6)</u> | <u>(7,904.4)</u> | <u>(7,767.3)</u> | <u>(8,709.9)</u> | <u>(8,516.9)</u> | <u>(8,803.6)</u> | <u>(8,555.8)</u> | <u>(7,592.3)</u> | <u>(7,027.2)</u> | <u>(6,532.9)</u> |
| Total Governmental Activities Net Position | <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> | <u>(5,854.3)</u> | <u>(4,724.4)</u> | <u>(4,048.3)</u> |
| <u>Business-Type Activities</u> | | | | | | | | | | |
| Net Investment in Capital Assets | 1,088.1 | 1,323.7 | 1,330.5 | 1,402.0 | 1,437.6 | 1,492.8 | 1,509.0 | 1,516.6 | 1,559.9 | 1,685.0 |
| Restricted | 766.0 | 650.5 | 692.5 | 762.6 | 835.5 | 825.7 | 749.2 | 816.8 | 885.4 | 948.7 |
| Unrestricted | <u>(278.5)</u> | <u>(279.3)</u> | <u>(251.9)</u> | <u>(423.0)</u> | <u>(391.6)</u> | <u>(391.6)</u> | <u>(234.0)</u> | <u>(162.6)</u> | <u>1.1</u> | <u>120.4</u> |
| Total Business-Type Activities Net Position | <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> | <u>2,170.8</u> | <u>2,446.4</u> | <u>2,754.1</u> |
| <u>Primary Government</u> | | | | | | | | | | |
| Net Investment in Capital Assets | 2,128.9 | 2,278.9 | 2,337.1 | 2,047.2 | 2,176.2 | 2,031.4 | 2,164.4 | 2,139.2 | 2,397.6 | 2,779.6 |
| Restricted | 1,342.5 | 1,275.6 | 1,246.3 | 1,555.8 | 1,703.4 | 1,780.7 | 1,591.9 | 1,932.2 | 2,350.5 | 2,338.7 |
| Unrestricted | <u>(8,159.1)</u> | <u>(8,183.7)</u> | <u>(8,019.2)</u> | <u>(9,132.9)</u> | <u>(8,908.5)</u> | <u>(9,195.2)</u> | <u>(8,789.8)</u> | <u>(7,754.9)</u> | <u>(7,026.1)</u> | <u>(6,412.5)</u> |
| Total Primary Government Net Position | <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> | <u>(3,683.5)</u> | <u>(2,278.0)</u> | <u>(1,294.2)</u> |

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2015 Through 2024

Table 2
Amounts in millions of USD

(full accrual basis of accounting)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Economic Development | 97.4 | 115.3 | 111.4 | 113.7 | 109.7 | 118.0 | 70.1 | 100.8 | 110.3 | 149.7 |
| Transportation: | | | | | | | | | | |
| Streets & Highways | 122.4 | 136.8 | 122.8 | 148.1 | 159.1 | 175.7 | 167.2 | 166.3 | 218.8 | 216.2 |
| Mass Transit | 76.2 | 76.1 | 84.3 | 86.4 | 89.3 | 91.0 | 89.5 | 96.1 | 105.6 | 114.1 |
| Judiciary and Law Enforcement: | | | | | | | | | | |
| Police | 1,098.7 | 1,232.4 | 1,198.8 | 1,282.0 | 1,277.3 | 1,350.3 | 1,140.7 | 1,219.8 | 1,175.0 | 1,207.4 |
| Prisons | 353.0 | 381.6 | 387.6 | 386.4 | 349.2 | 369.8 | 289.1 | 313.4 | 322.7 | 347.7 |
| Courts | 323.4 | 339.6 | 349.7 | 344.8 | 357.8 | 363.0 | 321.7 | 348.6 | 377.2 | 411.6 |
| Conservation of Health: | | | | | | | | | | |
| Emergency Medical Services | 66.4 | 66.3 | 77.2 | 69.7 | 70.0 | 74.2 | 71.0 | 95.5 | 89.7 | 109.3 |
| Health Services | 1,420.5 | 1,579.1 | 1,613.6 | 1,661.9 | 1,650.4 | 1,842.0 | 1,978.7 | 2,085.9 | 2,157.2 | 2,164.7 |
| Housing and Neighborhood Development | 80.9 | 80.1 | 81.1 | 94.3 | 106.6 | 132.0 | 124.0 | 232.9 | 170.9 | 138.4 |
| Cultural and Recreational: | | | | | | | | | | |
| Recreation | 113.1 | 116.6 | 120.3 | 125.7 | 131.4 | 122.5 | 117.3 | 129.8 | 162.7 | 124.3 |
| Parks | 10.6 | 8.4 | 9.5 | 6.9 | 5.5 | 10.6 | 10.4 | 7.0 | 4.7 | 8.5 |
| Libraries and Museums | 84.3 | 88.8 | 90.4 | 96.4 | 109.4 | 111.4 | 89.7 | 84.2 | 99.3 | 116.8 |
| Improvements to General Welfare: | | | | | | | | | | |
| Social Services | 687.8 | 688.7 | 733.8 | 732.0 | 727.4 | 739.7 | 726.8 | 774.5 | 920.0 | 1,022.5 |
| Education | 126.0 | 134.5 | 134.2 | 134.7 | 213.3 | 263.2 | 294.2 | 297.9 | 331.0 | 342.4 |
| Inspections and Demolitions | 41.7 | 65.3 | 45.4 | 54.3 | 56.7 | 57.2 | 51.3 | 58.4 | 55.4 | 59.4 |
| Service to Property: | | | | | | | | | | |
| Sanitation | 151.1 | 157.0 | 161.1 | 160.0 | 153.7 | 163.5 | 150.2 | 186.6 | 193.8 | 221.9 |
| Fire | 350.8 | 370.7 | 373.4 | 410.6 | 469.2 | 470.1 | 411.6 | 471.5 | 445.1 | 511.3 |
| General Management and Support | 605.3 | 648.1 | 693.3 | 729.1 | 788.5 | 946.5 | 1,162.4 | 995.2 | 1,232.2 | 1,212.4 |
| Interest on Long Term Debt | 166.2 | 158.2 | 151.1 | 155.7 | 148.3 | 158.6 | 121.9 | 127.1 | 121.7 | 114.1 |
| Total Governmental Activities Expenses | 5,975.8 | 6,443.6 | 6,539.0 | 6,792.7 | 6,972.8 | 7,559.3 | 7,387.8 | 7,791.5 | 8,293.3 | 8,592.7 |
| Business-Type Activities: | | | | | | | | | | |
| Water and Sewer | 550.2 | 569.0 | 601.8 | 631.1 | 685.8 | 711.4 | 636.4 | 698.1 | 729.2 | 796.8 |
| Aviation | 374.3 | 400.2 | 419.9 | 442.9 | 430.7 | 437.2 | 378.3 | 399.4 | 421.8 | 456.0 |
| Industrial and Commercial Development | - | - | 16.5 | 0.5 | 2.3 | 4.4 | 5.9 | - | - | 0.2 |
| Total Business-Type Activities Expenses | 924.5 | 969.2 | 1,038.2 | 1,074.5 | 1,118.8 | 1,153.0 | 1,020.6 | 1,097.5 | 1,151.0 | 1,253.0 |
| Total Primary Government Expenses | 6,900.3 | 7,412.8 | 7,577.2 | 7,880.1 | 8,091.6 | 8,712.3 | 8,408.4 | 8,889.0 | 9,444.3 | 9,845.7 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Economic Development | 0.1 | 0.1 | - | - | - | - | 0.1 | 0.1 | - | - |
| Transportation: | | | | | | | | | | |
| Streets & Highways | 7.3 | 5.8 | 7.1 | 6.6 | 10.0 | 9.8 | 9.9 | 11.6 | 12.5 | 13.7 |
| Mass Transit | 2.1 | 2.2 | 2.2 | 2.5 | 2.7 | 2.3 | 1.7 | 3.0 | 3.3 | 3.1 |
| Judiciary and Law Enforcement: | | | | | | | | | | |
| Police | 5.2 | 5.1 | 8.2 | 6.8 | 7.2 | 7.2 | 5.6 | 8.2 | 11.1 | 11.7 |
| Prisons | 0.4 | 0.3 | 0.3 | 0.5 | 1.7 | 1.3 | 0.4 | 0.1 | - | - |
| Courts | 51.6 | 50.3 | 53.6 | 56.5 | 55.6 | 39.3 | 31.7 | 30.7 | 29.7 | 35.8 |
| Conservation of Health: | | | | | | | | | | |
| Emergency Medical Services | 36.2 | 45.7 | 65.0 | 51.9 | 16.8 | 11.2 | - | 25.6 | 26.3 | 62.7 |
| Health Services | 14.4 | 14.1 | 30.3 | 27.6 | 46.4 | 63.5 | 67.6 | 77.3 | 55.3 | 37.1 |
| Housing and Neighborhood Development | 20.1 | 18.1 | 27.2 | 21.0 | 23.2 | 18.1 | 25.3 | 24.4 | 20.6 | 19.9 |
| Cultural and Recreational: | | | | | | | | | | |
| Recreation | 3.7 | 4.6 | 3.4 | 5.8 | 4.9 | 3.1 | 1.6 | 3.1 | 3.4 | 5.0 |
| Parks | 1.1 | 1.0 | 3.6 | 1.8 | 1.0 | 0.8 | 3.0 | (0.6) | 2.0 | 2.6 |
| Libraries and Museums | 1.1 | 1.2 | 1.4 | 1.9 | 1.5 | 1.1 | 1.5 | 0.7 | 0.5 | 1.9 |

**City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2015 Through 2024**

**Table 2
Amounts in millions of USD**

(full accrual basis of accounting)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Improvements to General Welfare: | | | | | | | | | | |
| Social Services | 4.4 | 1.2 | 1.4 | 7.3 | 6.2 | 7.0 | 5.7 | 5.6 | 202.0 | 3.5 |
| Education | - | - | - | - | - | - | - | - | - | - |
| Inspections and Demolitions | 52.4 | 54.1 | 59.4 | 64.8 | 72.8 | 64.7 | 76.2 | 86.5 | 79.6 | 83.8 |
| Service to Property: | | | | | | | | | | |
| Sanitation | 24.9 | 16.5 | 13.8 | 14.1 | 14.0 | 14.5 | 17.1 | 23.6 | 20.9 | 26.9 |
| Fire | 2.9 | 0.3 | 0.6 | 0.4 | 40.8 | 44.5 | 3.5 | 5.5 | 12.5 | 15.9 |
| General Management and Support | 150.2 | 158.3 | 159.5 | 160.1 | 151.0 | 147.8 | 153.4 | 260.5 | 157.9 | 173.1 |
| Interest on Long Term Debt | 0.2 | 0.2 | - | - | 0.2 | - | - | - | - | - |
| Operating Grants and Contributions | 2,011.2 | 2,090.9 | 2,199.5 | 2,262.9 | 2,215.2 | 2,337.0 | 2,713.8 | 3,136.1 | 3,101.9 | 3,068.8 |
| Capital Grants and Contributions | 60.1 | 61.8 | 22.2 | 27.3 | 20.5 | 44.9 | 49.7 | 35.1 | 89.0 | 61.4 |
| Total Governmental Activities Program Revenues | 2,449.6 | 2,531.8 | 2,658.7 | 2,719.8 | 2,691.7 | 2,818.1 | 3,167.8 | 3,737.1 | 3,828.5 | 3,626.9 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Water and Sewer | 675.9 | 670.0 | 714.7 | 726.4 | 745.3 | 732.4 | 715.8 | 765.9 | 816.4 | 844.2 |
| Aviation | 322.4 | 433.7 | 431.9 | 471.1 | 486.2 | 366.8 | 329.0 | 382.0 | 469.9 | 506.6 |
| Industrial and Commercial Development | 0.5 | 0.5 | 19.9 | 0.1 | 2.2 | 7.2 | 5.6 | 0.4 | - | - |
| Operating Grants and Contributions | 0.9 | 0.9 | 1.3 | 0.6 | 0.7 | 0.9 | 2.7 | 0.5 | 0.8 | 2.1 |
| Capital Grants and Contributions | 161.3 | 26.8 | 10.6 | 29.0 | 22.7 | 34.3 | 40.6 | 72.9 | 46.5 | 90.0 |
| Total Business-Type Activities Program Revenues | 1,161.0 | 1,131.9 | 1,178.4 | 1,227.2 | 1,257.1 | 1,141.6 | 1,093.7 | 1,221.7 | 1,333.6 | 1,442.9 |
| Total Primary Government Revenues | 3,610.6 | 3,663.7 | 3,837.1 | 3,947.0 | 3,948.8 | 3,959.7 | 4,261.5 | 4,958.8 | 5,162.1 | 5,069.8 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | (3,526.2) | (3,911.8) | (3,880.3) | (4,072.9) | (4,281.1) | (4,741.2) | (4,220.0) | (4,054.4) | (4,464.8) | (4,965.8) |
| Business-Type Activities | 236.5 | 162.7 | 140.2 | 152.7 | 138.3 | (11.4) | 73.1 | 124.2 | 182.6 | 189.9 |
| Total Primary Government Net Expense | (3,289.7) | (3,749.1) | (3,740.1) | (3,920.2) | (4,142.8) | (4,752.6) | (4,146.9) | (3,930.2) | (4,282.2) | (4,775.9) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property Taxes | 551.3 | 550.2 | 578.7 | 649.0 | 691.9 | 695.8 | 720.2 | 703.2 | 848.4 | 842.9 |
| Wage & Earnings Taxes | 1,737.2 | 1,816.8 | 1,920.7 | 2,027.8 | 2,114.7 | 2,115.6 | 1,991.2 | 2,233.4 | 2,402.7 | 2,550.2 |
| Business Taxes | 453.4 | 505.6 | 440.2 | 456.1 | 556.1 | 590.4 | 589.8 | 746.2 | 760.7 | 675.2 |
| Other Taxes | 666.7 | 733.5 | 817.6 | 947.7 | 984.1 | 942.8 | 883.9 | 1,263.3 | 1,168.3 | 1,066.3 |
| Unrestricted Grants & Contributions | 185.1 | 185.4 | 184.5 | 191.6 | 190.8 | 197.3 | 197.8 | 202.7 | 232.5 | 242.2 |
| Interest & Investment Earnings | 24.1 | 28.0 | 27.4 | 49.6 | 64.7 | 69.2 | 52.1 | 36.0 | 124.5 | 199.4 |
| Special Items | - | - | - | (38.4) | - | - | - | - | - | - |
| Transfers | 30.2 | 31.6 | 28.5 | 33.3 | 39.9 | 34.7 | 37.2 | 48.4 | 57.4 | 65.8 |
| Total Governmental Activities | 3,648.0 | 3,851.1 | 3,997.6 | 4,316.7 | 4,642.2 | 4,645.8 | 4,472.2 | 5,233.2 | 5,594.5 | 5,642.0 |
| Business-Type Activities: | | | | | | | | | | |
| Interest & Investment Earnings | 4.1 | 8.3 | 11.4 | 23.6 | 47.8 | 48.7 | 2.7 | (15.2) | 70.4 | 145.1 |
| Unrestricted Grants & Contributions | 1.9 | 1.9 | 2.5 | 3.3 | 3.9 | 58.2 | 64.6 | 85.9 | 80.1 | 38.5 |
| Transfers | (30.3) | (31.6) | (28.5) | (33.3) | (39.9) | (34.7) | (37.2) | (48.4) | (57.4) | (65.8) |
| Total Business-Type Activities | (24.3) | (21.4) | (14.6) | (6.2) | 11.8 | 72.2 | 30.1 | 22.3 | 93.1 | 117.8 |
| Total Primary Government | 3,623.7 | 3,829.7 | 3,983.0 | 4,310.5 | 4,654.0 | 4,718.0 | 4,502.3 | 5,255.5 | 5,687.6 | 5,759.8 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | 121.8 | (60.7) | 117.3 | 243.8 | 361.1 | (95.4) | 252.2 | 1,178.8 | 1,129.7 | 676.2 |
| Business-Type Activities | 212.2 | 141.3 | 125.6 | 146.5 | 150.1 | 60.8 | 103.2 | 146.5 | 275.7 | 307.7 |
| Total Primary Government | 334.0 | 80.6 | 242.9 | 390.3 | 511.2 | (34.6) | 355.4 | 1,325.3 | 1,405.4 | 983.9 |

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2015 Through 2024

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|
| General Fund | | | | | | | | | | |
| Non-spendable: | - | - | - | - | - | - | - | - | - | - |
| Restricted for: | | | | | | | | | | |
| Central Library Project | 2.0 | 1.7 | 1.7 | - | - | - | - | - | - | - |
| Stadium Financing | 4.3 | 0.6 | 0.6 | - | - | - | - | - | - | - |
| Cultural & Commercial Corridor Project | 10.6 | 7.4 | 2.7 | 1.5 | 1.2 | 1.1 | 0.9 | 0.9 | 0.4 | - |
| Long Term Loan | 56.7 | 44.8 | 33.1 | 21.8 | 10.8 | - | 6.5 | 3.2 | 0.1 | 0.0 |
| Affordable Housing Project | - | - | - | 44.3 | 27.3 | 11.0 | 0.0 | - | - | - |
| Art Museum Project | - | - | - | 11.4 | 6.3 | 1.8 | 0.4 | - | - | - |
| Street Lighting Program | - | - | - | - | - | - | - | - | - | 72.4 |
| Rebuild Project | - | - | - | - | 82.9 | 77.7 | 66.8 | 44.6 | 4.7 | 100.0 |
| Home Repair Program | - | - | - | - | 39.2 | 39.5 | 39.8 | 127.7 | 37.3 | 37.3 |
| Neighborhood Revitalization | - | - | - | - | - | - | - | - | 139.2 | 82.3 |
| Committed to: | | | | | | | | | | |
| General Fund | - | - | - | - | - | 34.3 | - | - | 65.1 | 112.8 |
| Assigned to: | 81.9 | 78.0 | 128.4 | 127.0 | 322.3 | - | 442.7 | 659.0 | 428.6 | 565.3 |
| Unassigned: | - | - | 23.7 | 195.0 | 125.8 | 380.2 | - | 410.7 | 668.2 | 594.7 |
| Total General Fund: | <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> | <u>1,246.1</u> | <u>1,343.6</u> | <u>1,564.8</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Non-spendable: | | | | | | | | | | |
| Permanent Fund (Principal) | 3.5 | 3.1 | 3.4 | 3.5 | 3.5 | 3.8 | 4.0 | 4.0 | 4.3 | 5.1 |
| Restricted for: | | | | | | | | | | |
| Behavioral Health | 199.6 | 220.1 | 262.3 | 279.4 | 314.3 | 291.1 | 337.1 | 390.9 | 416.8 | 380.9 |
| Neighborhood Revitalization | 29.6 | 0.0 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Public Safety Emergency Phone System | 35.2 | 40.8 | 31.5 | 31.2 | 34.1 | 33.1 | 35.0 | 36.2 | 38.5 | 48.4 |
| Economic Development | 11.8 | 12.3 | 13.7 | 13.9 | 15.2 | 3.1 | 5.8 | 9.1 | 17.0 | 17.3 |
| Intergovernmental Financing | 28.3 | 25.5 | 25.2 | 24.9 | 24.3 | 24.1 | 20.9 | 20.1 | 19.3 | 19.0 |
| Opioid Abatement | - | - | - | - | - | - | - | - | 14.0 | 19.5 |
| Streets & Highways | 31.9 | 37.1 | 46.0 | 57.1 | 59.2 | 63.2 | 59.7 | 72.5 | 70.1 | 64.9 |
| Housing & Neighborhood Development | 18.5 | 20.8 | 30.6 | 33.3 | 65.7 | 66.3 | 79.0 | 80.4 | 82.0 | 102.1 |
| Health Services | 11.0 | 11.2 | 13.4 | 17.4 | 20.6 | 22.7 | 23.3 | 22.1 | 20.9 | 20.2 |
| Debt Service | 81.5 | 81.6 | 72.4 | 62.9 | 54.7 | 16.0 | 13.0 | 11.4 | 0.6 | 0.6 |
| Capital Improvements | 70.2 | 133.1 | 24.8 | 161.0 | 88.1 | 278.5 | 112.7 | 308.9 | 377.5 | 237.6 |
| Trust Purposes | 12.3 | 10.2 | 10.2 | 9.4 | 10.0 | 9.7 | 9.5 | 14.8 | 14.9 | 15.8 |
| Parks & Recreation | 0.6 | 0.8 | 0.9 | 1.2 | 1.4 | 1.2 | 2.5 | - | - | 2.0 |
| Libraries & Museums | 0.0 | 3.0 | 3.3 | 3.1 | 2.5 | 2.5 | 3.0 | 2.0 | 2.5 | 0.8 |
| Stadium Financing | 6.7 | 6.4 | 6.0 | 5.8 | 5.0 | 10.5 | 8.4 | 8.3 | 8.5 | 9.1 |
| Demolition | - | - | - | - | - | - | - | - | 0.2 | 0.4 |
| Committed to: | | | | | | | | | | |
| Prisons | 3.2 | 2.9 | 3.4 | 3.5 | 3.4 | 3.3 | 4.7 | 5.4 | 5.8 | 6.5 |
| Parks & Recreation | 0.9 | 1.7 | 1.3 | 1.1 | 1.4 | 1.5 | 1.5 | 2.0 | 5.9 | 3.9 |
| Assigned to: | | | | | | | | | | |
| Behavioral Health | - | - | - | - | - | - | - | - | - | - |
| PICA Rebate Fund | - | - | - | - | - | - | - | - | - | - |
| PMA | - | - | - | - | - | - | - | - | - | - |
| Unassigned: | | | | | | | | | | |
| Housing & Neighborhood Dev | (7.1) | (5.3) | (8.4) | (8.7) | (9.3) | (16.2) | (10.0) | (19.3) | (28.3) | (25.9) |
| Grants Revenue Fund | (213.0) | (322.5) | (294.3) | (288.5) | (317.7) | (314.2) | (366.8) | (410.6) | (547.8) | (753.4) |
| General Mgmt & Support | - | - | - | - | (0.3) | (0.2) | - | - | (18.0) | (15.6) |
| Total All Other Governmental Funds | <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> | <u>558.5</u> | <u>504.9</u> | <u>159.6</u> |

City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2015 Through 2024

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenues | | | | | | | | | | |
| Tax Revenue | 3,397.1 | 3,632.7 | 3,761.3 | 4,112.4 | 4,345.2 | 4,359.3 | 4,173.5 | 4,936.4 | 5,160.6 | 5,120.5 |
| Locally Generated Non-Tax Revenue | 376.6 | 367.3 | 400.5 | 417.1 | 448.0 | 447.5 | 436.5 | 481.6 | 525.7 | 627.2 |
| Revenue from Other Governments | 2,280.2 | 2,245.2 | 2,466.1 | 2,440.6 | 2,409.2 | 2,552.6 | 2,915.2 | 3,320.8 | 3,322.8 | 3,132.4 |
| Other Revenues | 16.9 | 19.6 | 18.6 | 20.7 | 16.5 | 24.9 | 19.3 | 27.1 | 18.5 | 40.6 |
| Total Revenues | 6,070.8 | 6,264.8 | 6,646.5 | 6,990.8 | 7,218.9 | 7,384.3 | 7,544.5 | 8,765.9 | 9,027.6 | 8,920.7 |
| Expenditures | | | | | | | | | | |
| Current Operating: | | | | | | | | | | |
| Economic Development | 82.5 | 101.1 | 100.5 | 104.2 | 102.0 | 113.5 | 58.1 | 90.8 | 115.3 | 141.1 |
| Transportation: | | | | | | | | | | |
| Streets & Highways | 96.2 | 105.1 | 98.7 | 108.4 | 139.8 | 137.2 | 132.4 | 131.8 | 169.9 | 175.6 |
| Mass Transit | 71.7 | 76.1 | 79.9 | 82.0 | 84.9 | 86.6 | 85.2 | 91.7 | 101.2 | 109.7 |
| Judiciary and Law Enforcement: | | | | | | | | | | |
| Police | 1,104.6 | 1,162.5 | 1,169.7 | 1,237.6 | 1,256.9 | 1,306.9 | 1,223.1 | 1,316.8 | 1,358.6 | 1,327.7 |
| Prisons | 343.9 | 365.1 | 372.6 | 375.1 | 336.9 | 361.1 | 305.6 | 324.3 | 340.7 | 370.5 |
| Courts | 321.5 | 329.9 | 339.6 | 339.5 | 350.3 | 358.1 | 343.6 | 374.7 | 421.1 | 446.8 |
| Conservation of Health: | | | | | | | | | | |
| Emergency Medical Services | 66.1 | 64.9 | 75.8 | 68.7 | 70.0 | 74.1 | 79.1 | 102.6 | 103.0 | 120.5 |
| Health Services | 1,419.8 | 1,573.1 | 1,608.3 | 1,656.5 | 1,646.4 | 1,837.3 | 1,983.7 | 2,102.1 | 2,171.5 | 2,185.3 |
| Housing and Neighborhood Development | 80.9 | 80.1 | 81.4 | 94.3 | 106.7 | 132.0 | 123.9 | 232.8 | 170.8 | 138.4 |
| Cultural and Recreational: | | | | | | | | | | |
| Recreation | 103.9 | 104.8 | 107.1 | 112.3 | 117.9 | 112.8 | 114.2 | 123.9 | 166.4 | 175.1 |
| Parks | 1.8 | 1.5 | 3.4 | 2.9 | 2.7 | 2.2 | 2.5 | 1.4 | 2.1 | 2.8 |
| Libraries and Museums | 79.1 | 81.4 | 84.4 | 91.9 | 100.3 | 104.0 | 90.9 | 86.2 | 108.5 | 122.6 |
| Improvements to General Welfare: | | | | | | | | | | |
| Social Services | 687.8 | 687.1 | 731.7 | 730.6 | 726.7 | 735.9 | 726.5 | 779.9 | 928.9 | 1,030.6 |
| Education | 126.0 | 134.5 | 134.2 | 134.7 | 213.3 | 263.2 | 294.2 | 297.9 | 331.0 | 342.4 |
| Inspections and Demolitions | 41.5 | 64.0 | 44.5 | 53.1 | 56.3 | 56.3 | 54.7 | 61.3 | 64.8 | 64.8 |
| Service to Property: | | | | | | | | | | |
| Sanitation | 146.9 | 152.4 | 154.3 | 153.5 | 150.3 | 161.9 | 159.6 | 194.8 | 210.1 | 233.6 |
| Fire | 346.4 | 355.0 | 353.5 | 399.4 | 471.8 | 467.7 | 463.2 | 508.4 | 530.6 | 555.9 |
| General Management and Support | 662.3 | 686.4 | 718.1 | 789.9 | 810.1 | 929.2 | 1,053.8 | 1,077.5 | 1,364.6 | 1,242.8 |
| Capital Outlay | 189.7 | 206.1 | 145.5 | 455.7 | 208.0 | 211.0 | 219.9 | 206.8 | 300.5 | 325.7 |
| Debt Service: | | | | | | | | | | |
| Principal | 339.8 | 139.5 | 145.0 | 152.6 | 139.7 | 198.0 | 214.0 | 164.9 | 168.9 | 141.5 |
| Interest | 120.7 | 107.5 | 106.2 | 112.7 | 114.2 | 107.4 | 114.4 | 106.5 | 100.5 | 90.8 |
| Bond Issuance Cost | 7.2 | 3.3 | 3.2 | 3.9 | 3.4 | 18.6 | 1.6 | 4.1 | 1.4 | 2.5 |
| Total Expenditures | 6,440.3 | 6,581.4 | 6,657.6 | 7,259.5 | 7,208.6 | 7,775.0 | 7,844.2 | 8,381.2 | 9,230.4 | 9,346.7 |
| Excess of Revenues Over (Under) Expenditures | (369.5) | (316.6) | (11.1) | (268.7) | 10.3 | (390.7) | (299.7) | 384.7 | (202.8) | (426.0) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of Debt | 30.0 | 191.6 | - | 314.1 | 119.5 | 293.4 | - | 393.3 | 99.5 | 175.3 |
| Issuance of Refunding Debt | 195.7 | 234.2 | 346.1 | 108.3 | 188.7 | 326.2 | 137.0 | 132.1 | 24.6 | - |
| Bond Issuance Premium | 21.3 | 53.9 | 40.7 | 60.2 | 33.5 | 93.8 | - | 75.7 | 2.5 | 18.5 |
| Capital Lease Proceeds | - | - | - | 252.5 | - | 2.2 | 0.4 | - | - | - |
| Payment to Refunded Bonds Escrow Agent | - | (259.6) | (383.5) | (123.1) | (212.5) | (305.7) | (20.0) | (130.9) | - | - |
| Subscriptions | - | - | - | - | - | - | - | - | - | 4.4 |
| Leases (as lessee) | - | - | - | - | - | - | - | 0.4 | 62.8 | 37.8 |
| Transfers In | 661.9 | 686.3 | 731.4 | 802.5 | 925.5 | 819.7 | 864.2 | 1,160.2 | 1,583.8 | 1,595.6 |
| Transfers Out | (631.6) | (654.7) | (702.9) | (769.2) | (885.6) | (785.0) | (827.0) | (1,111.6) | (1,526.4) | (1,529.8) |
| Total Other Financing Sources (Uses) | 277.3 | 251.7 | 31.8 | 645.3 | 169.1 | 444.6 | 154.6 | 519.2 | 246.8 | 301.8 |
| Net Change in Fund Balances | (92.2) | (64.9) | 20.7 | 376.6 | 179.4 | 53.9 | (145.1) | 903.9 | 44.0 | (124.2) |
| Debt Service as a Percentage of Non-capital Expenditures | 7.4% | 3.9% | 3.9% | 3.9% | 3.6% | 4.0% | 4.3% | 3.3% | 3.0% | 2.6% |

City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2015 through 2024

Table 5

Amounts in millions of USD

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Additions: | | | | | | | | | | |
| Contributions: | | | | | | | | | | |
| Employee Contributions | 58.7 | 67.1 | 73.6 | 83.3 | 99.1 | 111.8 | 111.3 | 110.4 | 120.7 | 127.4 |
| Employer's: | | | | | | | | | | |
| City of Philadelphia | 556.1 | 629.4 | 678.8 | 756.1 | 772.6 | 747.4 | 768.2 | 844.6 | 1,147.8 | 927.8 |
| Quasi-Governmental Agencies | 21.1 | 30.8 | 27.4 | 25.9 | 25.2 | 21.4 | 20.3 | 15.2 | 17.2 | 20.9 |
| <u>Total Employer's Contributions</u> | <u>577.2</u> | <u>660.2</u> | <u>706.2</u> | <u>782.0</u> | <u>797.8</u> | <u>768.8</u> | <u>788.5</u> | <u>859.8</u> | <u>1,165.0</u> | <u>948.7</u> |
| <u>Total Contributions</u> | <u>635.9</u> | <u>727.3</u> | <u>779.8</u> | <u>865.3</u> | <u>896.9</u> | <u>880.6</u> | <u>899.8</u> | <u>970.2</u> | <u>1,285.7</u> | <u>1,076.1</u> |
| Interest & Dividends | 98.4 | 101.5 | 108.5 | 127.9 | 132.7 | 130.0 | 127.7 | 175.2 | 195.6 | 235.1 |
| Net Gain (Decline) in Fair Value of Investments | (76.8) | (239.8) | 462.9 | 318.2 | 176.6 | (38.1) | 1,521.8 | (646.9) | 387.9 | 438.4 |
| (Less) Investment Expenses | (9.8) | (9.1) | (8.0) | (7.5) | (7.5) | (6.7) | (7.2) | (8.9) | (14.5) | (16.3) |
| Net Securities Lending Revenue | 2.2 | 1.9 | 1.8 | 1.8 | 2.2 | 2.1 | 1.2 | 1.0 | 2.1 | 2.1 |
| (Less) Securities Lending Expenses | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (0.2) | (0.2) | (0.4) | (0.4) |
| Net Investment Income (Loss) | 13.7 | (145.8) | 564.9 | 440.1 | 303.7 | 87.0 | 1,643.3 | (479.8) | 570.7 | 658.9 |
| Miscellaneous Operating Revenue | 0.1 | 0.1 | 1.8 | 0.2 | 0.1 | 0.1 | 0.2 | 0.1 | 0.3 | 0.0 |
| <u>Total Additions</u> | <u>649.7</u> | <u>581.6</u> | <u>1,346.5</u> | <u>1,305.6</u> | <u>1,200.7</u> | <u>967.7</u> | <u>2,543.3</u> | <u>490.5</u> | <u>1,856.7</u> | <u>1,735.0</u> |
| Deductions: | | | | | | | | | | |
| Pension Benefits | 876.4 | 882.0 | 813.3 | 819.8 | 832.4 | 854.0 | 883.6 | 953.3 | 963.5 | 951.4 |
| Refunds to Members | 5.3 | 7.4 | 8.2 | 8.5 | 10.0 | 8.3 | 7.9 | 13.4 | 16.0 | 15.5 |
| Administrative Costs | 10.4 | 8.4 | 8.8 | 10.0 | 11.1 | 10.8 | 9.7 | 9.0 | 8.9 | 10.0 |
| Other Operating Expenses | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | - | - | - | - |
| <u>Total Deductions</u> | <u>892.1</u> | <u>897.9</u> | <u>830.4</u> | <u>838.4</u> | <u>853.6</u> | <u>873.2</u> | <u>901.2</u> | <u>975.7</u> | <u>988.4</u> | <u>976.9</u> |
| Net Increase (Decrease) | (242.4) | (316.3) | 516.1 | 467.2 | 347.1 | 94.5 | 1,642.1 | (485.2) | 868.3 | 758.1 |
| Net Position: Adjusted Opening | 4,916.7 | 4,674.3 | 4,358.0 | 4,874.1 | 5,341.3 | 5,688.4 | 5,782.9 | 7,425.0 | 6,939.8 | 7,808.1 |
| Closing | <u>4,674.3</u> | <u>4,358.0</u> | <u>4,874.1</u> | <u>5,341.3</u> | <u>5,688.4</u> | <u>5,782.9</u> | <u>7,425.0</u> | <u>6,939.8</u> | <u>7,808.1</u> | <u>8,566.2</u> |
| Ratios: | | | | | | | | | | |
| Pension Benefits Paid as % of Net Members | | | | | | | | | | |
| Contributions | 1640.28% | 1477.39% | 1243.58% | 1095.99% | 934.23% | 825.12% | 854.55% | 982.78% | 920.25% | 850.22% |
| Pension Benefits Paid as % of Closing Net Position | 18.75% | 20.24% | 16.69% | 15.35% | 14.63% | 14.77% | 11.90% | 13.74% | 12.34% | 11.11% |
| Coverage of Additions over Deductions | 72.83% | 64.77% | 162.15% | 155.73% | 140.66% | 110.82% | 282.21% | 50.27% | 187.85% | 177.61% |
| Investment Earnings as % of Pension Benefits | 1.56% | -16.53% | 69.46% | 53.68% | 36.48% | 10.19% | 185.98% | -50.33% | 59.23% | 69.26% |

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 2014 Through 2023

Table 6

Amounts in millions of USD

| Year | City Residents | | | Non-City Residents | | | Total | Total |
|------|-------------------|---------------|-----------------------------|--------------------|---------------|-----------------------------|-------------------|----------------|
| | Taxable Income | % of Total | Direct Rate ¹ | Taxable Income | % of Total | Direct Rate ¹ | Taxable Income | Direct Rate |
| 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% |
| 2021 | 34,967.5 | 66.09% | 3.83980% | 17,944.2 | 33.91% | 3.44810% | 52,911.7 | 3.70696% |
| 2022 | 38,895.6 | 62.98% | 3.81490% | 22,866.3 | 37.02% | 3.44000% | 61,761.9 | 3.67610% |
| 2023 | 42,572.3 | 64.65% | 3.77000% | 23,280.6 | 35.35% | 3.44000% | 65,852.9 | 3.65334% |

Note:

The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

¹ When there is a rate change 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 2015 through 2024

Table 7

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <u>Tax Classification</u> | | | | | | | | | | |
| Wage and Earnings Tax: | | | | | | | | | | |
| ^a City Residents | 3.9200% | 3.9102% | 3.9004% | 3.8907% | 3.8809% | 3.8712% | 3.8712% | 3.8398% | 3.7900% | 3.7500% |
| Non-City Residents | 3.4915% | 3.4828% | 3.4741% | 3.4654% | 3.4567% | 3.4481% | 3.5019% | 3.4481% | 3.4400% | 3.4400% |
| 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. | | | | | | | | | | |
| ^c Real Property: (% on Assessed Valuation) | | | | | | | | | | |
| City | 0.602% | 0.632% | 0.632% | 0.632% | 0.632% | 0.632% | 0.632% | 0.632% | 0.632% | 0.632% |
| School District of Philadelphia | 0.738% | 0.768% | 0.768% | 0.768% | 0.768% | 0.768% | 0.768% | 0.768% | 0.768% | 0.768% |
| Total Real Property Tax | 1.340% | 1.400% | 1.400% | 1.400% | 1.400% | 1.400% | 1.400% | 1.400% | 1.400% | 1.400% |
| ^d Assessment Ratio | 213.95% | 167.26% | 167.14% | 167.14% | 132.88% | 125.08% | 124.89% | 119.13% | 146.30% | NA |
| Effective Tax Rate (Real Property Rate x Assessment Ratio) | 2.867% | 2.341% | 2.340% | 2.340% | 1.860% | 1.751% | 1.748% | 1.668% | 2.048% | 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% | 3.1% | 3.1% | 3.3% | 3.3% | 3.3% | 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% | 4.1% | 4.1% | 4.3% | 4.3% | 4.3% | 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. | | | | | | | | | | |
| ^b 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% |
| ^e (% on Net Income) | 6.4100% | 6.3900% | 6.3500% | 6.3000% | 6.2500% | 6.2000% | 6.2000% | 5.9900% | 5.8100% | 5.8100% |
| 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. | | | | | | | | | | |
| ^b Net Profits Tax: | | | | | | | | | | |
| ^a City Residents | 3.9102% | 3.9004% | 3.8907% | 3.8809% | 3.8712% | 3.8712% | 3.8398% | 3.7900% | 3.7500% | 3.7500% |
| Non-City Residents | 3.4828% | 3.4741% | 3.4654% | 3.4567% | 3.4481% | 3.5019% | 3.4481% | 3.4400% | 3.4400% | 3.4400% |
| 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 2015 through 2024

Table 7

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Tax Classification</u> | | | | | | | | | | |
| Sales Tax | | | | | | | | | | |
| City | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Commonwealth of Pennsylvania | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| Total Sales Tax | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Amusement Tax | | | | | | | | | | |
| | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged. | | | | | | | | | | |
| Parking Lot Tax | | | | | | | | | | |
| | 20.0% | 22.5% | 22.5% | 22.5% | 22.5% | 22.5% | 25.0% | 22.5% | 22.5% | 22.5% |
| Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City. | | | | | | | | | | |
| Hotel Room Rental Tax | | | | | | | | | | |
| | 8.5% | 8.5% | 8.5% | 8.5% | 8.5% | 8.5% | 8.5% | 8.5% | 8.5% | 8.5% |
| Rate of Tourism & Marketing Tax | | | | | | | | | | |
| | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% |
| Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations. | | | | | | | | | | |
| Vehicle Rental Tax | | | | | | | | | | |
| | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration. | | | | | | | | | | |

^a Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

^b Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

^c Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

^d 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.

^e 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 ¹
Current Calendar Year and Nine Years Ago

Table 8

Amounts in millions of USD

| Remittance Range | 2023 | | | 2014 | | |
|------------------------------------|-------------------------------|-----------------------------|------------------------------------|-------------------------------|-----------------------------|------------------------------------|
| | # of Remitters (Employers) | Total Amount Remitted | Percentage of Total Remitted | # of Remitters (Employers) | Total Amount Remitted | Percentage of Total Remitted |
| Greater than \$10 million | 22 | \$694.7 | 28.88% | 17 | \$436.5 | 26.30% |
| Between \$1 million & \$10 million | 232 | 582.5 | 24.21% | 170 | 412.6 | 24.86% |
| Between \$100,000 & \$1 million | 2,508 | 657.6 | 27.33% | 1,723 | 443.5 | 26.72% |
| Between \$10,000 & \$100,000 | 13,522 | 401.7 | 16.70% | 9,287 | 274.4 | 16.53% |
| Less than \$10,000 | 61,708 | 69.3 | 2.88% | 40,904 | 92.7 | 5.59% |
| Total | 77,992 | \$2,405.8 | 100.00% | 52,101 | \$1,659.7 | 100.00% |

¹ Wage & Earnings information for individual remitters is confidential

City of Philadelphia
Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2015 through 2024

Table 9

Amounts in millions of USD

| Calendar Year of Levy ¹ | Assessed Value on Certification Date ³ | Less: Tax-Exempt Property ^{2,3} | Less: Homestead Exemption ⁷ | Total Taxable Assessed Value ^{2,3} | Adjustments between Certification Date and Billing Date ³ | Total Taxable Assessed Value on Billing Date | Total Direct Tax Rate ⁴ | STEB Ratio ⁵ | Estimated Actual Taxable Value (STEB) | Sales Ratio ⁶ | Estimated Actual Taxable Value (Sales) |
|--|--|--|--|---|---|--|---|----------------------------|---|-----------------------------|--|
| 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% | 124.89% | 93,005 | 97.09% | 119,635 |
| 2022 | 171,347 | 45,325 | 10,058 | 115,964 | (56) | 115,908 | 0.632% | 119.13% | 97,342 | 98.01% | 118,319 |
| 2023 | 204,602 | 49,547 | 18,402 | 136,653 | 1,514 | 138,167 | 0.632% | 146.30% | 93,406 | 97.77% | 139,770 |
| 2024 | 207,574 | 50,617 | 18,405 | 138,552 | 58 | 138,610 | 0.632% | NA | NA | NA | NA |

¹ Real property tax bills are normally sent out in December and are payable by March 31 without penalty or interest.

² Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

³ Source: Office of Property Assessment. Beginning in 2014:

- a) the Assessed Value Certification Date was moved up to 3/31/2013; in prior years, the Certification Date occurred on or slightly before the Billing Date (in November)
- b) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

⁴ Total Direct Tax Rate is City portion only and excludes the School District portion (see statistical table #7 for breakdown).

⁵ The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13.

⁶ This ratio is compiled by the Office of Property Assessment based on sales of property during the year.

⁷ The City provides for a \$100,000 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

| <u>Taxpayer</u> | <u>2024</u> | | | <u>2015</u> | | |
|---|--------------------------------|-------------|--|--------------------------------|-------------|--|
| | <u>Assessment</u> ¹ | <u>Rank</u> | <u>Percentage of Total Assessments</u> | <u>Assessment</u> ¹ | <u>Rank</u> | <u>Percentage of Total Assessments</u> |
| EQC Nine Penn Center Prop. | 422.2 | 1 | 0.30 | 232.6 | 2 | 0.23 |
| Kim Sub Cira Square LP | 370.6 | 2 | 0.27 | 182.7 | 6 | 0.18 |
| Liberty Property Phila | 368.1 | 3 | 0.27 | - | - | - |
| NG 1500 Market St. LLC | 362.6 | 4 | 0.26 | 265.7 | 1 | 0.27 |
| Phila Liberty Pla E LP | 335.3 | 5 | 0.24 | 207.7 | 3 | 0.21 |
| Brandywine Cira Walnut 1 | 298.1 | 6 | 0.22 | - | - | - |
| 1901 Market LLC | 278.0 | 7 | 0.20 | - | - | - |
| Brandywine Cira LP | 272.1 | 8 | 0.20 | - | - | - |
| 411 N Broad Fee Inter | 244.4 | 9 | 0.18 | - | - | - |
| Brandywine Operating | 239.8 | 10 | 0.17 | - | - | - |
| Philadelphia Market | - | - | - | 203.7 | 4 | 0.21 |
| Tenet Health System Hahnem | - | - | - | 192.1 | 5 | 0.19 |
| Commerce Square Partners | - | - | - | 178.2 | 7 | 0.18 |
| Maguire Thomas Partners | - | - | - | 170.1 | 8 | 0.17 |
| NNN 1818 Market St. 37 | - | - | - | 170.0 | 9 | 0.17 |
| Franklin Mills Associates | - | - | - | 163.2 | 10 | 0.16 |
| | <u>3,191.2</u> | | <u>2.31</u> | <u>1,966.0</u> | | <u>1.97</u> |
| Taxable Assessments (before Homestead) ² | <u>156,956.3</u> | | <u>100.00</u> | <u>99,117.7</u> | | <u>100.00</u> |
| Less Homestead Exemption ² | <u>18,404.8</u> | | | <u>0.0</u> | | |
| Total Taxable Assessments | <u>138,551.5</u> | | | <u>99,117.7</u> | | |

¹ Source: Office of Property Assessment.

a) 2024 Assessment as of March 2023.

b) 2015 Assessment as of March 2014.

² In calendar year 2014,

a) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

b) The City provides for a \$100,000 Homestead Exemption (amount subject to change) to all homeowners.

City of Philadelphia
Real Property Tax Levied and Collected
For the Calendar Years 2015 through 2024
General Fund

Table 11

Amounts in millions of USD

| Calendar Year | Taxes Levied for the Year **1 | Taxes Levied Based on Adjusted Assessment **2 | Collected in the Calendar Year of Levy **3 | Percentage Collected in the Calendar Year of Levy **5 | Collected in Subsequent Years **4 | Total Collected to Date: All Years | Percentage Collected to Date: All Years **5 |
|---------------|-------------------------------|---|--|---|-----------------------------------|------------------------------------|---|
| 2015 | 547.4 | 516.4 | 488.2 | 94.5% | 29.3 | 517.5 | 100.2% |
| 2016 | 569.9 | 548.3 | 522.5 | 95.3% | 25.6 | 548.1 | 100.0% |
| 2017 | 580.5 | 564.8 | 542.0 | 96.0% | 24.0 | 566.0 | 100.2% |
| 2018 | 658.1 | 626.5 | 590.9 | 94.3% | 17.4 | 608.3 | 97.1% |
| 2019 | 709.4 | 680.1 | 656.1 | 96.5% | 20.9 | 677.0 | 99.5% |
| 2020 | 722.7 | 700.4 | 671.5 | 95.9% | 27.1 | 698.6 | 99.7% |
| 2021 | 729.7 | 714.5 | 692.2 | 96.9% | 22.4 | 714.6 | 100.0% |
| 2022 | 732.2 | 721.9 | 705.7 | 97.8% | 15.1 | 720.8 | 99.8% |
| 2023 | 872.8 | 838.7 | 789.2 | 94.1% | 13.7 | 802.9 | 95.7% |
| 2024 | 875.6 | 849.3 | 774.2 | NA | NA | 774.2 | 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 in effect), the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid.

Starting with tax year 2021, the 1% discount is no longer in effect. It is however included for all prior years.

**3 For 2024, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections through the end of June 2024.

**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.

**5 For calendar year 2024, 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 2024.

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.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2015 through 2024

Table 12

Amounts in millions of USD (except per capita)

| Fiscal Year | Governmental Activities | | | | | | | | | | |
|-------------|--------------------------|------------------------------|---------------------------|--------------------------|--|--------------------------------|-------------------------|---------------------------------|-----------------|---------------|-------------|
| | General Obligation Bonds | Leases and Subscriptions (2) | Pension Service Agreement | Sports Stadium Agreement | Neighborhood Revitalization/ Home Repair | Cultural & Commercial Corridor | Central Library Project | Affordable Housing Preservation | Rebuild Project | Museum of Art | One Parkway |
| 2015 | 1,996.0 | 12.9 | 1,363.0 | 291.9 | 216.4 | 111.8 | 6.7 | - | - | - | 37.3 |
| 2016 | 2,073.6 | 8.8 | 1,297.3 | 277.2 | 205.8 | 108.5 | 6.7 | - | - | - | 34.9 |
| 2017 | 1,953.1 | 4.4 | 1,227.0 | 263.6 | 195.8 | 102.2 | 6.0 | - | - | - | 32.4 |
| 2018 | 2,078.4 | 249.3 | 1,152.1 | 248.9 | 185.3 | 96.3 | 5.3 | 60.2 | - | 11.5 | 30.4 |
| 2019 | 1,927.2 | 244.2 | 1,072.1 | 234.3 | 213.3 | 90.4 | 4.6 | 57.7 | 87.2 | 11.0 | 27.1 |
| 2020 | 2,091.8 | 239.0 | 986.8 | 241.1 | 199.4 | 84.4 | 3.8 | 55.1 | 83.5 | 10.6 | 24.0 |
| 2021 | 1,950.5 | 233.4 | 1,025.8 | 221.6 | 185.2 | 78.3 | 3.1 | 52.6 | 79.8 | 10.1 | 20.8 |
| 2022 | 2,166.4 | 580.6 | 961.4 | 201.6 | 271.4 | 72.0 | 2.3 | 49.9 | 75.9 | 9.7 | 17.5 |
| 2023 | 2,016.1 | 613.3 | 873.3 | 181.0 | 351.2 | 65.7 | 1.6 | 47.3 | 72.0 | 9.2 | 14.2 |
| 2024 | 1,874.7 | 618.0 | 766.8 | 160.1 | 332.3 | 59.2 | 0.8 | 44.6 | 169.2 | 8.7 | 10.8 |

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| Fiscal Year | Governmental Activities | | | Business-Type Activities | | | | Ratios | | | |
|-------------|-------------------------|-----------------|-------------------------------|--------------------------|-----------------------|------------|--------------------------------|--------------------------|-----------------------------------|----------------|------------|
| | Street Lighting | School District | Total Governmental Activities | Water Revenue Bonds | Airport Revenue Bonds | Leases (2) | Total Business-Type Activities | Total Primary Government | Percentage of Personal Income (1) | Population (1) | Per Capita |
| 2015 | - | 43.3 | 4,079.3 | 2,110.8 | 1,225.3 | - | 3,336.1 | 7,415.4 | 11.15% | 1,560,297 | 4,753 |
| 2016 | - | 29.1 | 4,041.9 | 1,967.1 | 1,160.9 | - | 3,128.0 | 7,169.9 | 9.20% | 1,567,442 | 4,574 |
| 2017 | - | 14.7 | 3,799.2 | 2,152.5 | 1,218.5 | - | 3,371.0 | 7,170.2 | 8.86% | 1,567,872 | 4,573 |
| 2018 | - | - | 4,117.7 | 1,993.2 | 1,625.4 | - | 3,618.6 | 7,736.3 | 8.78% | 1,580,863 | 4,894 |
| 2019 | - | - | 3,969.1 | 2,175.8 | 1,651.1 | - | 3,826.9 | 7,796.0 | 8.83% | 1,584,138 | 4,921 |
| 2020 | - | - | 4,019.5 | 2,360.3 | 1,573.9 | - | 3,934.2 | 7,953.7 | 8.77% | 1,584,064 | 5,021 |
| 2021 | - | - | 3,861.2 | 2,500.9 | 1,595.5 | - | 4,096.4 | 7,957.6 | 8.55% | 1,578,487 | 5,041 |
| 2022 | - | - | 4,408.7 | 2,684.1 | 1,739.0 | 29.0 | 4,452.1 | 8,860.8 | 9.24% | 1,576,251 | 5,621 |
| 2023 | - | - | 4,244.9 | 2,973.6 | 1,664.1 | 27.0 | 4,664.7 | 8,909.6 | 10.01% | 1,567,258 | 5,685 |
| 2024 | 91.9 | - | 4,137.1 | 3,442.2 | 1,587.8 | 25.1 | 5,055.1 | 9,192.2 | 10.33% | 1,550,542 | 5,928 |

(1) See Table 17 for Personal Income and Population Amounts

(2) Implementation of GASB 87 in fiscal year 2022

City of Philadelphia
Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2015 through 2024

Table 13

Amounts in millions of USD (except per capita)

| Fiscal Year | General Obligation Bonds | Assessed Taxable Value of Property ¹ | Assessed Ratio ² | Actual Taxable Value of Property | % of Actual Taxable Value of Property | Per Capita ³ |
|-------------|--------------------------|---|-----------------------------|----------------------------------|---------------------------------------|-------------------------|
| 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 | 2,078.4 | 104,988.9 | 167.14% | 62,814.9 | 3.31% | 1,312.01 |
| 2019 | 1,927.2 | 115,555.5 | 132.88% | 86,962.3 | 2.22% | 1,216.62 |
| 2020 | 2,091.8 | 115,575.8 | 125.08% | 92,401.5 | 2.26% | 1,325.19 |
| 2021 | 1,950.5 | 116,153.8 | 124.89% | 93,004.9 | 2.10% | 1,237.43 |
| 2022 | 2,166.4 | 115,963.6 | 119.13% | 97,342.1 | 2.23% | 1,382.29 |
| 2023 | 2,016.1 | 136,652.6 | 146.30% | 93,405.7 | 2.16% | 1,300.26 |
| 2024 | 1,874.8 | 138,551.5 | NA | NA | NA | NA |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

¹ Source: Office of Property Assessment

² The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

³ See Table 17 for Population Amounts

City of Philadelphia
Direct and Overlapping Governmental Activities Debt
June 30, 2024

Table 14

Amounts in millions of USD

| | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|--------------------------------------|-----------------------------|--|---|
| <u>Governmental Unit</u> | | | |
| School District of Philadelphia | <u>3,474.4</u> | <u>100.00%</u> | <u>3,474.4</u> |
| ¹ City Direct Debt | | | <u>4,137.1</u> |
| Total Direct and Overlapping Debt | | | <u><u>7,611.5</u></u> |

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundaries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundaries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

¹ Refer to Table 12

City of Philadelphia
Legal Debt Margin Information
For the Fiscal Years 2015 through 2024

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2024

| | |
|---|------------------------|
| Assessed Value | 126,910.9 |
| Debt Limit | 17,133.0 |
| ¹ Debt Applicable to Limit: | |
| Tax Supported General Obligation Debt: | |
| Issued & Outstanding | 1,619.3 |
| Authorized but Unissued | 913.4 |
| Total | <u>2,532.7</u> |
| Less: Amount set aside for repayment of general obligation debt | <u>-</u> |
| Total Net Debt Applicable to Limit | <u>2,532.7</u> |
| Legal Debt Margin | <u><u>14,600.3</u></u> |

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Debt Limit (notes 2 and 3) | 4,288.7 | 5,454.0 | 6,629.5 | 8,001.0 | 9,534.0 | 11,052.1 | 12,607.9 | 14,163.0 | 16,256.5 | 17,133.0 |
| Total Net Debt Applicable to Limit | <u>1,751.0</u> | <u>1,841.4</u> | <u>1,952.0</u> | <u>2,051.3</u> | <u>2,130.8</u> | <u>2,228.8</u> | <u>2,284.5</u> | <u>2,316.5</u> | <u>2,423.1</u> | <u>2,532.7</u> |
| Legal Debt Margin | <u>2,537.7</u> | <u>3,612.6</u> | <u>4,677.5</u> | <u>5,949.7</u> | <u>7,403.2</u> | <u>8,823.3</u> | <u>10,323.4</u> | <u>11,846.5</u> | <u>13,833.4</u> | <u>14,600.3</u> |
| Total Net Debt Applicable to the Limit as a Percent of Total Debt | 40.83% | 33.76% | 29.44% | 25.64% | 22.35% | 20.17% | 18.12% | 16.36% | 14.91% | 14.78% |

¹ Refer to Purdon's Statutes 53 P.S. Section 15721

² The legal limit is based on the Pennsylvania Constitution article IX Section 12.

³ Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the proceeding 10 year average; prior to this change, the Tax Year assessed values was used.

| Calendar Year of assessment | Tax Year of assessment | R.E. Assessments |
|--------------------------------|---------------------------|------------------------|
| 2014 | 2015 | 106,062,882,977 |
| 2015 | 2016 | 98,268,051,621 |
| 2016 | 2017 | 99,343,238,214 |
| 2017 | 2018 | 114,493,581,457 |
| 2018 | 2019 | 126,865,207,235 |
| 2019 | 2020 | 125,555,031,478 |
| 2020 | 2021 | 128,770,069,988 |
| 2021 | 2022 | 128,790,111,318 |
| 2022 | 2023 | 168,829,528,524 |
| 2023 | 2024 | <u>172,131,135,049</u> |
| | Ten Year average | <u>126,910,883,786</u> |
| | Limit per art. 9 | 13.50% |
| | Legal Debt Limit | 17,132,969,311 |

City of Philadelphia
Pledged Revenue Coverage
For the Fiscal Years 2015 through 2024

Table 16

Amounts in millions of USD

| No. | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------------------------|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Water and Sewer Revenue Bonds | | | | | | | | | | | |
| 1 | Total Revenue and Beginning Fund Balance | - | - | - | - | - | - | - | - | - | - |
| 1a | Total Revenue | 676.8 | 678.9 | 720.6 | 750.1 | 741.6 | 746.7 | 730.5 | 753.6 | 809.1 | 837.7 |
| 2 | Net Operating Expenses | 422.3 | 433.0 | 480.3 | 506.2 | 522.4 | 543.7 | 545.1 | 547.2 | 603.8 | 627.5 |
| 2a | Commitments Cancelled (formally Beg. Fund Bal.) | (19.4) | (24.1) | (24.6) | (32.4) | (30.4) | (26.9) | (23.9) | (36.8) | (29.2) | (36.4) |
| 3 | Transfer To (From) Rate Stabilization Fund | 21.4 | (1.6) | (4.6) | (24.6) | (4.3) | (33.1) | (27.0) | 15.0 | (7.8) | (8.2) |
| 4 | Net Revenues | 252.5 | 271.6 | 269.5 | 300.9 | 253.9 | 263.0 | 236.3 | 228.2 | 242.3 | 254.8 |
| Debt Service: | | | | | | | | | | | |
| 5 | Revenue Bonds Outstanding | 205.3 | 219.3 | 206.1 | 218.4 | 190.9 | 206.2 | 186.2 | 177.0 | 199.3 | 209.7 |
| 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 | - | 0.5 | - |
| 7 | Pennvest Loan | - | - | - | - | - | - | - | - | - | - |
| 8 | Total Debt Service | 205.3 | 219.0 | 215.9 | 237.2 | 190.9 | 206.4 | 186.3 | 177.0 | 199.8 | 209.7 |
| 9 | Net Revenue after Debt Service | 47.2 | 52.6 | 53.6 | 63.7 | 63.0 | 56.6 | 50.0 | 51.2 | 42.5 | 45.1 |
| 10 | Transfer to General Fund | - | - | - | - | - | - | - | - | - | - |
| 11 | Transfer to Capital Fund | 20.7 | 21.5 | 22.3 | 34.8 | 24.9 | 26.6 | 27.8 | 29.2 | 30.1 | 31.7 |
| 12 | Transfer to Residual Fund | 26.5 | 31.1 | 31.3 | 28.9 | 38.1 | 30.0 | 22.2 | 22.0 | 12.4 | 13.4 |
| 13 | Ending Fund Balance | - | - | - | - | - | - | - | - | - | - |
| Debt Service Coverage: | | | | | | | | | | | |
| | Coverage A (Line 4/Line 5) | 1.23 | 1.24 | 1.31 | 1.38 | 1.33 | 1.28 | 1.27 | 1.29 | 1.22 | 1.22 |
| | Coverage B (Line 4/(Line 5 + Line 11)) | 1.12 | 1.13 | 1.13 | 1.19 | 1.18 | 1.13 | 1.10 | 1.11 | 1.06 | 1.06 |
| Airport Revenue Bonds | | | | | | | | | | | |
| 1 | Fund Balance | 66.3 | 71.2 | 87.9 | 107.8 | 126.8 | 144.2 | 160.9 | 173.7 | 173.7 | 303.8 |
| 2 | Project Revenues | 322.8 | 341.2 | 362.0 | 381.7 | 393.4 | 390.2 | 331.8 | 356.0 | 535.6 | 490.0 |
| 3 | Passenger Facility Charges | 31.2 | 31.2 | 33.7 | 31.2 | 31.2 | 31.2 | 49.6 | 32.0 | 25.6 | 42.2 |
| 4 | Total Fund Balance and Revenue | 420.3 | 443.6 | 483.6 | 520.7 | 551.4 | 565.6 | 542.3 | 561.7 | 734.9 | 836.0 |
| 5 | Net Operating Expenses | 126.0 | 132.1 | 136.5 | 151.0 | 161.2 | 151.7 | 130.1 | 150.0 | 149.3 | 186.0 |
| 6 | Interdepartmental Charges | 108.7 | 106.8 | 116.7 | 116.7 | 121.1 | 123.0 | 109.8 | 103.0 | 117.6 | 114.5 |
| 7 | Total Expenses | 234.7 | 238.9 | 253.2 | 267.7 | 282.3 | 274.7 | 239.9 | 253.0 | 266.9 | 300.5 |
| Available for Debt Service: | | | | | | | | | | | |
| 8 | Revenue Bonds (Line 4-Line 5) | 294.3 | 311.5 | 347.1 | 369.7 | 390.2 | 413.9 | 412.2 | 411.7 | 585.6 | 650.0 |
| 9 | All Bonds (Line 4-Line 7) | 185.6 | 204.7 | 230.4 | 253.0 | 269.1 | 290.9 | 302.4 | 308.7 | 468.0 | 535.5 |
| Debt Service: | | | | | | | | | | | |
| 10 | Revenue Bonds | 125.2 | 120.6 | 122.6 | 127.8 | 126.0 | 127.9 | 124.3 | 118.0 | 160.4 | 152.9 |
| 11 | General Obligation Bonds | - | - | - | - | - | - | - | - | - | - |
| 12 | Total Debt Service | 125.2 | 120.6 | 122.6 | 127.8 | 126.0 | 127.9 | 124.3 | 118.0 | 160.4 | 152.9 |
| Debt Service Coverage: | | | | | | | | | | | |
| | Revenue Bonds Only - Test "A" (Line 8/Line 10) | 2.35 | 2.58 | 2.83 | 2.89 | 3.10 | 3.24 | 3.32 | 3.49 | 3.65 | 4.25 |
| | Total Debt Service - Test "B" (Line 9/Line 12) | 1.48 | 1.69 | 1.88 | 1.98 | 2.14 | 2.27 | 2.43 | 2.62 | 2.92 | 3.50 |

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 (Line 4/(Line 8 + Line 11)).

City of Philadelphia
Demographic and Economic Statistics
For the Calendar Years 2014 through 2023

Table 17

| Calendar Year | Population ¹ | Personal Income ² (thousands of USD) | Per Capita Personal Income (USD) | Unemployment Rate ³ |
|------------------|-------------------------|---|--|-----------------------------------|
| 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% |
| 2021 | 1,576,251 | 95,944,257 | 60,869 | 9.2% |
| 2022 | 1,567,258 | 88,964,392 | 56,764 | 5.4% |
| 2023 | 1,550,542 | 95,868,345 | 61,829 | 4.2% |

¹ US Census Bureau

² US Department of Commerce, Bureau of Economic Analysis

³ US Department of Labor, Bureau of Labor Statistics

City of Philadelphia
Principal Employers
Current Calendar Year and Nine Years Ago

Table 18

Listed Alphabetically

| 2023 | 2014 |
|---|---|
| Children's Hospital of Philadelphia | Albert Einstein Medical |
| City of Philadelphia | Children's Hospital of Philadelphia |
| Comcast Corporation | City of Philadelphia |
| School District of Philadelphia | Comcast Corporation |
| SEPTA (Southeastern Pennsylvania Transit Authority) | School District of Philadelphia |
| Temple University Hospital Inc | SEPTA (Southeastern Pennsylvania Transit Authority) |
| Temple University | Temple University |
| Thomas Jefferson University Hospitals | Thomas Jefferson University Hospitals |
| University Of Pennsylvania | University Of Pennsylvania |
| Hospital of the University of Pennsylvania | Hospital of the University of Pennsylvania |

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2015 through 2024

Table 19

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Governmental Activities: | | | | | | | | | | |
| Economic Development | 33 | 43 | 39 | 47 | 69 | 63 | 40 | 37 | 53 | 58 |
| Transportation: | | | | | | | | | | |
| Streets & Highways | 506 | 512 | 538 | 609 | 655 | 669 | 627 | 636 | 680 | 778 |
| Mass Transit | 12 | 12 | 1 | 1 | 1 | 2 | 1 | 3 | 3 | 2 |
| Judiciary and Law Enforcement: | | | | | | | | | | |
| Police | 7,267 | 7,750 | 7,213 | 7,276 | 7,336 | 7,201 | 6,847 | 6,681 | 6,335 | 6,161 |
| Prisons | 2,286 | 2,280 | 2,257 | 2,208 | 2,084 | 1,882 | 1,556 | 1,319 | 1,288 | 1,250 |
| Courts | 3,255 | 3,276 | 3,367 | 3,317 | 3,364 | 3,428 | 3,301 | 3,109 | 3,172 | 3,161 |
| Conservation of Health: | | | | | | | | | | |
| Emergency Medical Services | 576 | 534 | 592 | 416 | 467 | 533 | 419 | 414 | 430 | 432 |
| Health Services | 1,084 | 1,062 | 1,105 | 1,132 | 1,161 | 1,206 | 1,169 | 1,150 | 1,134 | 1,176 |
| Housing and Neighborhood Development | 74 | 66 | 67 | 73 | 71 | 76 | 75 | 83 | 90 | 95 |
| Cultural and Recreational: | | | | | | | | | | |
| Parks and Recreation | 628 | 636 | 630 | 670 | 682 | 678 | 667 | 633 | 699 | 697 |
| Libraries and Museums | 674 | 666 | 677 | 659 | 670 | 688 | 648 | 619 | 738 | 819 |
| Improvements to General Welfare: | | | | | | | | | | |
| Social Services | 1,801 | 1,779 | 1,837 | 1,860 | 1,804 | 1,827 | 1,765 | 1,755 | 1,683 | 1,819 |
| Inspections and Demolitions | 319 | 323 | 336 | 378 | 421 | 394 | 371 | 352 | 328 | 351 |
| Service to Property: | | | | | | | | | | |
| Sanitation | 1,155 | 1,159 | 1,153 | 1,094 | 1,179 | 1,144 | 1,163 | 1,298 | 1,266 | 1,302 |
| Fire | 1,719 | 1,871 | 1,896 | 2,036 | 2,187 | 2,227 | 2,259 | 2,258 | 2,356 | 2,376 |
| General Management and Support | 2,497 | 2,601 | 2,749 | 2,744 | 3,164 | 2,911 | 2,749 | 2,760 | 2,956 | 3,359 |
| Total Governmental Activities | 23,886 | 24,570 | 24,457 | 24,520 | 25,315 | 24,929 | 23,657 | 23,107 | 23,211 | 23,836 |
| Business Type Activities: | | | | | | | | | | |
| Water and Sewer | 2,347 | 2,358 | 2,481 | 2,519 | 2,217 | 2,498 | 2,428 | 2,403 | 2,421 | 2,468 |
| Aviation | 1,021 | 1,032 | 1,035 | 1,056 | 1,071 | 1,048 | 977 | 840 | 833 | 894 |
| Total Business-Type Activities | 3,368 | 3,390 | 3,516 | 3,575 | 3,288 | 3,546 | 3,405 | 3,243 | 3,254 | 3,362 |
| Fiduciary Activities: | | | | | | | | | | |
| Pension Trust | 55 | 56 | 56 | 60 | 56 | 54 | 55 | 58 | 57 | 59 |
| Total Primary Government | 27,309 | 28,016 | 28,029 | 28,155 | 28,659 | 28,529 | 27,117 | 26,408 | 26,522 | 27,257 |

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Governmental Activities: | | | | | | | | | | |
| Transportation: | | | | | | | | | | |
| Streets & Highways | | | | | | | | | | |
| Street Resurfacing (miles) | 40 | 43 | 56 | 77 | 95 | 65 | 42 | 49 | 51 | 61 |
| Potholes Repaired | 48,274 | 35,541 | 31,589 | 57,002 | 59,514 | 37,971 | 22,815 | 59,164 | 38,136 | 57,282 |
| Judiciary and Law Enforcement: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Arrests | 71,661 | 55,693 | 46,268 | 45,531 | 42,444 | 40,702 | 30,697 | 27,496 | 28,486 | 24,058 |
| Calls to 911 | 2,978,527 | 3,703,809 | 2,760,452 | 2,432,404 | 2,616,735 | 2,390,540 | 2,335,370 | 2,862,919 | 2,960,592 | 2,252,266 |
| Prisons | | | | | | | | | | |
| Average Inmate Population | 8,254 | 7,685 | 6,925 | 6,158 | 4,815 | 4,190 | 4,709 | 4,396 | 4,421 | 4,690 |
| Inmate Beds (city owned) | 8,417 | 8,428 | 6,991 | 6,085 | 5,019 | 4,047 | 4,903 | 4,903 | 5,053 | 5,053 |
| Conservation of Health: | | | | | | | | | | |
| Emergency Medical Services | | | | | | | | | | |
| Medic Unit Runs | 243,127 | 263,754 | 267,266 | 271,450 | 274,659 | 266,090 | 271,494 | 251,501 | 268,332 | 277,195 |
| First Responder Runs | 49,529 | 48,965 | 47,456 | 48,797 | 49,526 | 47,864 | 49,321 | 48,440 | 52,890 | 55,526 |
| Health | | | | | | | | | | |
| Patient Visits | 290,000 | 72,479 | 336,445 | 335,937 | 350,948 | 324,388 | 300,073 | 332,000 | 300,691 | 312,314 |
| Cultural and Recreational: | | | | | | | | | | |
| Parks | | | | | | | | | | |
| Athletic Field Permits Issued | 1,634 | 2,501 | 2,579 | 2,120 | 1,351 | 1,892 | 571 | 1,062 | 1,096 | 1,603 |
| Libraries | | | | | | | | | | |
| Items borrowed | 6,511,582 | 5,926,481 | 5,419,516 | 5,293,138 | 6,482,481 | 5,207,069 | 4,002,577 | 5,241,011 | 4,155,752 | 8,235,052 |
| Visitors to all libraries | 5,891,382 | 5,839,145 | 5,128,715 | 4,973,288 | 4,915,649 | 3,841,395 | 176,619 | 1,829,104 | - | 851,422 |
| Visitors to library website | 9,907,573 | 7,971,946 | 5,029,713 | 6,361,655 | 6,699,581 | 6,099,144 | 4,071,281 | 4,827,886 | 5,300,000 | 4,238,359 |
| Improvements to General Welfare: | | | | | | | | | | |
| Social Services | | | | | | | | | | |
| Children Receiving Services | 18,982 | 19,697 | 18,955 | 18,798 | 17,002 | 13,369 | 11,533 | 10,465 | 14,430 | 13,051 |
| Children in Placement | 7,809 | 8,463 | 8,782 | 8,731 | 8,230 | 7,125 | 6,355 | 5,730 | 5,112 | 4,445 |
| Emergency Shelter Beds (average) | 2,708 | 2,196 | 2,143 | 2,170 | 3,725 | 3,855 | 2,526 | 2,501 | 2,747 | 2,819 |
| Transitional Housing Units (new placements) | 509 | 517 | 415 | 284 | 728 | 374 | 419 | 404 | 415 | 322 |
| Service to Property: | | | | | | | | | | |
| Sanitation | | | | | | | | | | |
| Refuse Collected (tons per day) | 2,139 | 2,270 | 2,311 | 2,310 | 2,475 | 2,351 | 2,841 | 2,645 | 2,430 | 2,346 |
| Recyclables Collected (tons per day) | 442 | 425 | 444 | 404 | 355 | 327 | 207 | 242 | 308 | 311 |
| Fire | | | | | | | | | | |
| Fires Handled | 6,364 | 6,143 | 5,901 | 6,614 | 7,810 | 7,350 | 3,413 | 7,161 | 8,314 | 8,094 |
| Fire Marshall Investigations | 2,183 | 1,715 | 2,242 | 2,099 | 1,969 | 1,889 | 1,954 | 1,783 | 2,093 | 1,737 |
| Business Type Activities: | | | | | | | | | | |
| ¹ Water and Sewer | | | | | | | | | | |
| Millions of gallons of treated water | 86,416 | 84,573 | 82,846 | 81,485 | 80,943 | 78,239 | 84,424 | 84,342 | 85,817 | 85,413 |
| 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 | 637 | 682 | 1,022 | 742 | 747 | 796 | 560 | 478 | 1,141 | 1,313 |
| Water main breaks repaired | 907 | 703 | 655 | 977 | 754 | 596 | 759 | 779 | 606 | 674 |
| Average time to repair a water main break upon crew arrival at site (hours) | 5.7 | 6.8 | 6.7 | 6.5 | 6.7 | 6.2 | 6.7 | 6.9 | 7 | 7 |
| Percent of hydrants available | 99.61% | 99.60% | 99.60% | 99.57% | 99.43% | 99.15% | 98.91% | 98.95% | 99.00% | 99.00% |
| Number of storm drains cleaned | 103,056 | 98,105 | 107,784 | 103,535 | 103,053 | 84,640 | 97,849 | 64,427 | 80,909 | 95,030 |
| ¹ Aviation | | | | | | | | | | |
| Passengers Handled (PIA) | 30,601,985 | 31,336,138 | 29,641,556 | 30,553,378 | 32,244,112 | 23,782,297 | 13,039,500 | 23,204,502 | 26,824,404 | 29,526,329 |
| Air Cargo Tons (PIA) | 402,194 | 414,891 | 424,009 | 487,086 | 554,606 | 573,499 | 582,469 | 575,274 | 532,198 | 443,541 |
| Aircraft Movements (PIA and NPA) | 487,096 | 456,269 | 434,707 | 427,214 | 455,352 | 385,403 | 287,679 | 380,979 | 392,595 | 421,751 |

¹ PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

² 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

³ Hardware issues prevented fiscal year 2023 statistic from being tracked. New hardware equipment is planned for installation.

City of Philadelphia
Capital Assets Statistics by Function
For the Fiscal Years 2015 through 2024

Table 21

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Governmental Activities: | | | | | | | | | | |
| Transportation: | | | | | | | | | | |
| Streets & Highways | | | | | | | | | | |
| ¹ Total Miles of Streets | 2,575 | 2,575 | 2,575 | 2,550 | 2,550 | 2,550 | 2,550 | 2,552 | 2,552 | 2,552 |
| Streetlights | 105,151 | 105,151 | 104,595 | 106,092 | 106,092 | 124,846 | 126,924 | 141,554 | 141,518 | 141,518 |
| Judiciary and Law Enforcement: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations and Other Facilities | 40 | 50 | 48 | 55 | 55 | 55 | 58 | 56 | 57 | 57 |
| Prisons | | | | | | | | | | |
| Major Correctional Facilities | 6 | 6 | 6 | 5 | 4 | 3 | 3 | 3 | 4 | 4 |
| Conservation of Health: | | | | | | | | | | |
| Health Services | | | | | | | | | | |
| Health Care Centers | 9 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Cultural and Recreational: | | | | | | | | | | |
| Recreation | | | | | | | | | | |
| ⁴ Recreation Centers | 155 | 164 | 313 | 313 | 721 | 717 | 731 | 738 | 742 | 747 |
| ² Athletic Venues | 1,108 | 1,107 | 1,030 | 1,030 | 1,129 | 1,120 | 1,118 | 1,112 | 1,101 | 1,061 |
| Parks | | | | | | | | | | |
| Parks | 209 | 209 | 211 | 211 | 405 | 409 | 410 | 414 | 406 | 393 |
| Baseball/Softball Fields | 403 | 404 | 412 | 404 | 414 | 411 | 411 | 410 | 410 | 400 |
| Libraries | | | | | | | | | | |
| Branch & Regional Libraries | 54 | 54 | 54 | 54 | 54 | 57 | 57 | 57 | 54 | 54 |
| Service to Property: | | | | | | | | | | |
| Fire | | | | | | | | | | |
| Stations and Other Facilities | 69 | 63 | 69 | 67 | 73 | 73 | 73 | 73 | 73 | 67 |
| Business Type Activities: | | | | | | | | | | |
| Water and Sewer: | | | | | | | | | | |
| Water System Piping (miles) | 3,176 | 3,187 | 3,184 | 3,185 | 3,183 | 3,178 | 3,180 | 3,179 | 3,179 | 3,179 |
| Fire Hydrants | 25,364 | 25,398 | 25,419 | 25,419 | 25,234 | 25,020 | 25,192 | 25,142 | 25,142 | 25,150 |
| Treated Water Storage Capacity (x 1000 gallons) | 1,065,000 | 1,065,000 | 1,065,000 | 950,000 | 950,000 | 1,010,000 | 1,010,000 | 1,010,000 | 973,000 | 973,000 |
| Sanitary Sewers (miles) | 762 | 763 | 765 | 766 | 767 | 761 | 767 | 767 | 767 | 767 |
| Stormwater Conduits (miles) | 737 | 740 | 747 | 744 | 752 | 755 | 756 | 757 | 759 | 761 |
| Sewage Treatment Capacity (x 1000 gallons) | 1,044,000 | 1,044,000 | 1,044,000 | 1,044,000 | 1,059,000 | 1,059,000 | 1,059,000 | 1,059,000 | 1,059,000 | 1,059,000 |
| ³ Aviation | | | | | | | | | | |
| Passenger Gates (PIA) | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 132 |
| Terminal Buildings (square footage) (PIA) | 3,254,354 | 3,254,354 | 3,240,537 | 3,240,537 | 3,240,537 | 3,240,537 | 3,240,537 | 3,254,354 | 3,254,354 | 3,254,354 |
| Runways (length in feet) (PIA & NPA) | 43,500 | 43,500 | 43,500 | 43,500 | 43,500 | 43,500 | 43,500 | 43,500 | 43,500 | 43,500 |

¹ Street System-83% city streets, 2% park streets, 15% state highways

² Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools

³ PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.

⁴ Includes playgrounds and spraygrounds

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APPENDIX D

PROPOSED FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

June 18, 2025

RE: The City of Philadelphia, Pennsylvania
\$301,320,000 General Obligation Bonds, Series 2025A (Tax-Exempt)
\$100,460,000 General Obligation Bonds, Series 2025B (Federally Taxable)
\$470,790,000 General Obligation Refunding Bonds, Series 2025C (Tax-Exempt)

TO THE PURCHASERS OF THE 2025 BONDS:

We have served as Co-Bond Counsel to The City of Philadelphia, Pennsylvania (the “City”) in connection with the issuance of its \$301,320,000 General Obligation Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”), \$100,460,000 General Obligation Bonds, Series 2025B (Federally Taxable) (the “2025B Bonds”), and \$470,790,000 General Obligation Refunding Bonds, Series 2025C (Tax-Exempt) (the “2025C Bonds,” and together with the 2025A Bonds and the 2025B Bonds, the “2025 Bonds”).

The 2025A Bonds and 2025B Bonds are issued under and pursuant to: (i) the Constitution of the Commonwealth of Pennsylvania (the “Commonwealth”); (ii) the Act of the General Assembly of the Commonwealth, approved June 25, 1919, P.L. 581, as amended, and the Act of the General Assembly of the Commonwealth of June 11, 1941, P.L. 113, as amended by the Act of the General Assembly of the Commonwealth of December 8, 1985, P.L. 324 (together, the “Act”); (iii) (A) the Ordinance (Bill No. 200298) of the Council of the City, approved by the Mayor on June 26, 2020, and consented to by vote of the electors at an election held on November 3, 2020, (B) the Ordinance (Bill No. 220742) of the Council of the City, approved by the Mayor on December 14, 2022, which authorized the incurrence of non-electoral debt by the City, (C) the Ordinance (Bill No. 240376) of the Council of the City, approved by the Mayor on June 14, 2024, which authorized the incurrence of non-electoral debt by the City, and (D) the Ordinance (Bill No. 240416-A) of the Council of the City, approved by the Mayor on September 18, 2024, which authorized the incurrence of non-electoral debt by the City (together, the “Capital Project Ordinance”); and (iv) a Resolution of the Bond Committee established by the Ordinance (hereafter defined) adopted June 10, 2025, with respect to the 2025 Bonds (the “Bond Committee Resolution”).

The 2025C Bonds are issued under and pursuant to: (i) the Constitution of the Commonwealth; (ii) the Act; (iii) the Ordinance (Bill No. 190935) of the Council of the City, approved by the Mayor on December 18, 2019, as amended by Ordinance (Bill No. 230250) of the Council of the City, approved by the Mayor on June 21, 2023 (as amended, the “Refunding Ordinance,” and together with the Capital Project Ordinance, the “Ordinance”); and (iv) the Bond Committee Resolution.

Capitalized terms used herein but not defined shall have the meanings set forth in the Bond Committee Resolution.

The 2025 Bonds will bear interest at the fixed rates and be subject to redemption as shown in the official statement prepared for the 2025 Bonds. The 2025 Bonds will be issued only as fully registered bonds, in denominations of \$5,000 and any integral multiples of \$5,000 in excess thereof.

The 2025A Bonds and the 2025B Bonds are being issued by the City to provide funds to pay the costs of certain projects in the City’s capital budgets referred to in the Capital Project Ordinance and to pay the costs associated with the issuance of the 2025A Bonds and the 2025B Bonds.

The 2025C Bonds are being issued by the City to provide funds to: (i) purchase and cancel on the date hereof certain outstanding general obligation bonds of the City tendered by the holders thereof pursuant to the City’s invitation (the “Tender Offer”), (ii) pay the costs of currently refunding certain other outstanding

general obligation bonds of the City, (iii) pay the costs of advance refunding certain outstanding general obligation bonds which were issued on a federally taxable basis by the City, and (iv) pay the costs associated with the issuance of the 2025C Bonds.

We have examined the proceedings relating to the authorization and issuance of the 2025 Bonds, including, among other things: (a) the Constitution of the Commonwealth and the Act; (b) certified copies of the Capital Project Ordinance, the Refunding Ordinance and the Bond Committee Resolution, and certifications as to the electoral proceedings related to the Capital Project Ordinance approved by the electors on November 3, 2020; (c) the opinion of Renee Garcia, Esq., City Solicitor, on which we have relied; (d) certificates executed by the City and its Fiscal Agent for the 2025 Bonds as to the execution and authentication of the 2025 Bonds; (e) various other certificates executed by the City, including a certificate with regard to compliance with the Internal Revenue Code of 1986, as amended (the “Code”), with respect to the 2025A Bonds and the 2025C Bonds (collectively, the “Tax-Exempt Bonds”); (f) the Form 8038-G of the City with respect to the Tax-Exempt Bonds; and (g) the Escrow Agreements and the verification report attached thereto. We have also examined a fully executed and authenticated 2025A Bond, 2025B Bond and 2025C Bond and we assume all other 2025A Bonds, 2025B Bonds, and 2025C Bonds are in such respective forms and are similarly executed and authenticated.

Further, we have also examined certain documents related to the Tender Offer and a certified copy of a Resolution of the Bond Committee established by the Refunding Ordinance adopted May 23, 2025 (the “Tender Offer Bond Committee Resolution”). The Tender Offer Bond Committee Resolution approved certain documents and authorized certain other matters related to the City’s conducting of the Tender Offer.

In rendering our opinion, we have assumed the accuracy of and not undertaken to verify the factual matters set forth in such certificates, documents and other proceedings and have relied on the covenants, warranties and representations made in such certificates and in the other financing documents, and no inference as to our knowledge of the existence or absence of those facts should be drawn from our representation of the City.

In addition, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity with originals of all documents submitted to us as copies and the authenticity of certificates of public officials.

Based upon and subject to the foregoing and the additional assumptions, qualifications and limitations set forth below, we are of the opinion that:

1. The City is authorized under the provisions of the Constitution and laws of the Commonwealth to issue the 2025 Bonds for the purposes set forth in the Bond Committee Resolution.
2. The 2025 Bonds have been duly authorized, executed and delivered by the City and constitute valid and binding general obligations of the City, enforceable against the City in accordance with the terms thereof, except as enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, receivership, arrangement, moratorium, and other laws affecting creditors' rights, by equitable principles, whether considered at law or in equity, and by the exercise of judicial discretion in appropriate cases.
3. The full faith, credit and taxing power of the City are pledged for the payment of the principal of and interest due on the 2025 Bonds, and the City has effectively covenanted in the Ordinance that it will make payments from the City’s sinking funds established for the 2025 Bonds or any of the City’s general revenues or funds at such times and in such annual amounts as shall be sufficient for the payment of all principal of and interest on the 2025 Bonds when due.
4. Interest on the Tax-Exempt Bonds is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings, and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the City complies with all applicable federal income

tax law requirements that must be satisfied subsequent to the issuance of the Tax-Exempt Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the Tax-Exempt Bonds to be includable in gross income retroactive to the date of issuance of the Tax-Exempt Bonds. The City has covenanted to comply with all such requirements. Interest on the Tax-Exempt Bonds is also not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax; however, such interest may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations.

5. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the interest on the 2025 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Other than as set forth in paragraphs 4 and 5 above, we express no opinion regarding any tax consequences related to the ownership or disposition of, or the amount, accrual or the receipt of interest on, the 2025 Bonds.

We express no opinion herein on the adequacy, completeness or accuracy of any official statement, placement memorandum or other disclosure document pertaining to the offering of the 2025 Bonds or the Tender Offer. We express no opinion as to the availability of specific performance or other equitable relief.

This opinion is limited to the laws of the United States and the laws of the Commonwealth as in effect on the date hereof, and we express no opinion with respect to the laws of any other state or jurisdiction.

This opinion is limited to the matters expressly stated herein. No implied opinions are to be inferred to extend this opinion beyond the matters expressly stated herein. This opinion is expressed as of the date hereof, and we express no opinion as to any matter not set forth in the numbered paragraphs herein. We do not assume any obligation to update or supplement this opinion to reflect, or to otherwise advise you of, any facts or circumstances which may hereafter come to our attention or any changes in facts, circumstances or law which may hereafter occur.

This opinion is rendered solely for your benefit, may be relied upon by you solely in connection with the issuance of the 2025 Bonds and may not be relied upon by you for any other purpose, or by any other person for any purpose, in each case without our written consent.

Very truly yours,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated as of June 18, 2025, is entered into by and between The City of Philadelphia, Pennsylvania (“City”) and Digital Assurance Certification, L.L.C., as dissemination agent (“Dissemination Agent”), in connection with the issuance and sale by the City of \$301,320,000 aggregate principal amount of its General Obligation Bonds, Series 2025A (Tax-Exempt) (the “2025A Bonds”), \$100,460,000 aggregate principal amount of its General Obligation Bonds, Series 2025B (Federally Taxable) (the “2025B Bonds”), and \$470,790,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2025C (Tax-Exempt) (the “2025C Bonds,” and together with the 2025A Bonds and the 2025B Bonds, the “Bonds”). The Bonds are being issued pursuant to the Act, the Ordinances, and the BC Resolution (collectively, the “Authorizing Acts”). Capitalized terms used in this Agreement which are not otherwise defined herein shall have the meanings given to such terms in the Official Statement.

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement is being executed and delivered by the City solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) Commencing with the Fiscal Year ending June 30, 2025, the Disclosure Representative shall deliver to the Dissemination Agent no later than February 28, 2026, and no later than each succeeding February 28 thereafter, Annual Financial Information with respect to each Fiscal Year of the City. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with EMMA.

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) hereof.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Disclosure Representative shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file such Audited Financial Statements with EMMA.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Disclosure Representative shall provide through the Dissemination Agent, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to EMMA.

(b) Any notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the City including the Bonds, such Notice Event notice need only include the CUSIP number of the City.

(d) The Dissemination Agent shall promptly advise the City whenever, in the course of performing its duties as Dissemination Agent under this Agreement, the Dissemination Agent has actual notice of an occurrence which, if material, would require the City to provide notice of a Notice Event hereunder; provided, however, that the failure of the Dissemination Agent so to advise the City shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities under this Agreement.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the City chooses to do so, the City shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the City and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the City under such laws.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the City provides Annual Financial Information by specific reference to documents (a) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (b) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agent. The City has designated the Dissemination Agent as its agent to act on its behalf in providing or filing notices, documents and information as required of the City under this Agreement. The City may revoke or modify such designation. Upon any revocation of such designation, the City shall comply with its obligation to provide or file notices, documents and information as required under this Agreement or may designate another agent to act on its behalf.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access ("EMMA") system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided on EMMA shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The City's current Fiscal Year begins July 1 and ends June 30, and the City shall promptly file a notification on EMMA, through the Dissemination Agent, of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The City's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the same effect as set forth in clause (2) above, (4) the City shall have delivered to the Dissemination Agent an opinion of Counsel or a determination by an entity, in each case unaffiliated with the City (such as bond counsel or the Dissemination Agent), addressed to the City and the Dissemination Agent, to the effect that the amendment does not materially impair the interests of the holders of the Bonds, and (5) the Disclosure Representative shall have delivered copies of such opinion(s) and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that performance by the City and the Dissemination Agent under this Agreement as so amended will not result in a violation of the Rule and (3) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the City shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the City and the Dissemination Agent, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Disclosure Representative shall have delivered copies of such opinion and amendment to the Dissemination Agent. Such amendment shall be promptly filed by the Dissemination Agent on EMMA and sent to each Registered Owner.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial

Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to this Section 3.2 hereof to the accounting principles to be followed by the City in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the City to comply with the provisions of this Agreement shall be enforceable by any holder of outstanding Bonds. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section 3.3, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the City or the Dissemination Agent to perform in accordance with this Agreement shall not constitute a default under the Authorizing Acts, and the rights and remedies provided by the Authorizing Acts upon the occurrence of a default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the City's Annual Comprehensive Financial Report ("ACFR"), which contains the Audited Financial Statements, (ii) to the extent such information is not contained in the ACFR, the financial information or operating data with respect to the City, substantially similar to the types of information set forth in Tables 1-52 in APPENDIX A attached to the Official Statement (with the exception of Tables 19, 36, 37, and 48), and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement. As set forth in clause (i) above, Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

Annual Financial Information shall be delivered at least annually pursuant to Section 1.2(a) hereof. In connection with Section 4.1(1), it is the City's intention to satisfy all or a portion of the

obligations set forth therein by submitting to EMMA (A) its ACFR and (B) to the extent not otherwise updated in the ACFR, (1) an APPENDIX A that includes annual updates to the tables specified in clause (ii) above, or (2) if the City does not have such an APPENDIX A prepared, annual updates to the Tables specified in clause (ii) above. If at any time the City deletes, for purposes of a then-current APPENDIX A, certain financial information or operating data from APPENDIX A as attached to the Official Statement that is included in one of the tables specified above, such deleted information will be submitted separately from the updated APPENDIX A.

The descriptions contained in Section 4.1(1)(ii) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in each affected Annual Financial Information filing in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by Commonwealth law or the City Charter. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2 hereof, the City may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2 hereof shall include a reference to the specific federal or Commonwealth law or regulation describing such accounting principles, or other description thereof.

(3) “City Charter” means the Home Rule Charter authorized by the General Assembly in the First Class City Home Rule Act (Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City, as amended and supplemented.

(4) “Commonwealth” means the Commonwealth of Pennsylvania.

(5) “Counsel” means any nationally recognized bond counsel or counsel expert in federal securities laws.

(6) “Disclosure Representative” means the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

(7) “Financial Obligation” means “financial obligation” as such term is defined in the Rule.

(8) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(9) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(10) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the City or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the City;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(11) “Official Statement” means the Official Statement dated June 10, 2025 of the City relating to the Bonds.

(12) “Registered Owner” or “Registered Owners” means, for so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, and includes, for the purposes of this Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Agreement.

(13) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(14) “SEC” means the United States Securities and Exchange Commission.

(15) “Securities Depository” means The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto.

(16) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(17) “Underwriters” means the financial institutions named on the cover of the Official Statement.

ARTICLE V

Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties under the Agreement as are specifically set forth in this Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney’s fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s negligence or willful misconduct in the performance of its duties hereunder. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Agreement to be executed by the Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this Agreement to be executed by one of its authorized officers, all as of the day and year first above written.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

By: _____

Name: Rob Dubow

Title: Director of Finance

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By: _____

Name:

Title:

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

General

The information set forth herein concerning The Depository Trust Company, New York, New York (“DTC”) and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the City, the Fiscal Agent, or the Underwriters. The websites referenced below are included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

DTC will act as securities depository for the 2025 Bonds under a book-entry system with no physical distribution of the 2025 Bonds made to the public. The 2025 Bonds will initially be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each series and maturity of the 2025 Bonds, each in the principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2025 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2025 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2025 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2025 Bonds, except in the event that use of the book-entry system for the 2025 Bonds is discontinued.

To facilitate subsequent transfers, all 2025 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2025 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2025 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2025 Bonds, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of 2025 Bonds may wish to ascertain that the nominee holding the 2025 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Fiscal Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2025 Bonds within a maturity of a series are being redeemed (except for a partial redemption of the 2025B Bonds, which shall be subject to DTC's operational arrangements for redemption on a pro-rata pass through distribution of principal basis, to the extent available), DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity of the 2025 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and redemption price of, and interest on, the 2025 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participants and not of DTC (or its nominee), the City or the Fiscal Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption price of, and interest on, the 2025 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

THE CITY, THE FISCAL AGENT AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE 2025 BONDS (A) PAYMENTS OF PRINCIPAL OR

REDEMPTION PRICE OF, OR INTEREST ON, THE 2025 BONDS, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2025 BONDS, OR (C) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT “RULES” APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT “PROCEDURES” OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE CITY, THE FISCAL AGENT OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2025 BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED TO BE GIVEN TO HOLDERS OR OWNERS OF THE 2025 BONDS; (E) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF 2025 BONDS OF A SERIES; OR (F) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2025 BONDS.

Discontinuation of Book-Entry Only System

DTC may discontinue providing its services as depository with respect to the 2025 Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, 2025 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2025 Bond certificates will be printed and delivered.

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APPENDIX G

BONDS TO BE REFUNDED OR PURCHASED

Upon the issuance and delivery of the 2025C Bonds, the City expects to use a portion of the proceeds from the sale of the 2025C Bonds to refund the Refunded Bonds and purchase the Tender Offer Bonds, as set forth below.

Tender Offer Bonds

| Series | CUSIP ⁽¹⁾ | Maturity | Interest Rate | Principal Amount | Purchase Date | Purchase Price |
|---------------------|----------------------|-----------|---------------|------------------|---------------|----------------|
| <u>2017</u> | | | | | | |
| | 717813TD1 | 8/1/2029 | 5.000% | \$11,120,000 | 6/18/2025 | 104.631 |
| | 717813TE9 | 8/1/2030 | 5.000% | 19,315,000 | 6/18/2025 | 104.489 |
| | 717813TF6 | 8/1/2031 | 5.000% | 14,175,000 | 6/18/2025 | 104.357 |
| | 717813TM1 | 8/1/2031 | 5.000% | 9,830,000 | 6/18/2025 | 104.357 |
| | 717813TH2 | 8/1/2032 | 5.000% | 1,195,000 | 6/18/2025 | 104.309 |
| | 717813TJ8 | 8/1/2037 | 5.000% | 1,400,000 | 6/18/2025 | 103.341 |
| <u>2017A</u> | | | | | | |
| | 717813VN6 | 8/1/2029 | 5.000% | \$11,480,000 | 6/18/2025 | 104.631 |
| | 717813VP1 | 8/1/2030 | 5.000% | 9,440,000 | 6/18/2025 | 104.489 |
| | 717813VQ9 | 8/1/2031 | 5.000% | 9,085,000 | 6/18/2025 | 104.357 |
| | 717813VR7 | 8/1/2032 | 5.000% | 17,440,000 | 6/18/2025 | 104.309 |
| | 717813VS5 | 8/1/2033 | 5.000% | 16,560,000 | 6/18/2025 | 104.219 |
| | 717813VT3 | 8/1/2034 | 5.000% | 18,545,000 | 6/18/2025 | 104.122 |
| | 717813VU0 | 8/1/2035 | 5.000% | 9,165,000 | 6/18/2025 | 103.812 |
| | 717813VV8 | 8/1/2036 | 5.000% | 6,085,000 | 6/18/2025 | 103.561 |
| | 717813VW6 | 8/1/2037 | 5.000% | 10,970,000 | 6/18/2025 | 103.341 |
| <u>2020A</u> | | | | | | |
| | 717813XY0 | 7/15/2028 | 2.664% | \$3,705,000 | 6/18/2025 | 96.623 |
| | 717813XZ7 | 7/15/2029 | 2.714% | 5,475,000 | 6/18/2025 | 95.445 |
| | 717813YA1 | 7/15/2030 | 2.814% | 1,495,000 | 6/18/2025 | 94.339 |
| | 717813YB9 | 7/15/2031 | 2.864% | 3,540,000 | 6/18/2025 | 93.093 |
| | 717813YC7 | 7/15/2032 | 2.964% | 6,095,000 | 6/18/2025 | 91.997 |
| | 717813YD5 | 7/15/2033 | 3.014% | 1,900,000 | 6/18/2025 | 90.714 |
| <u>2021B</u> | | | | | | |
| | 717813ZM4 | 7/15/2028 | 1.492% | \$4,140,000 | 6/18/2025 | 93.255 |
| | 717813ZN2 | 7/15/2029 | 1.618% | 5,405,000 | 6/18/2025 | 91.357 |
| | 717813ZP7 | 7/15/2030 | 1.738% | 2,250,000 | 6/18/2025 | 89.449 |
| | 717813ZQ5 | 7/15/2031 | 1.838% | 1,300,000 | 6/18/2025 | 87.636 |
| | 717813ZR3 | 7/15/2032 | 1.988% | 3,615,000 | 6/18/2025 | 86.095 |
| | 717813ZS1 | 7/15/2033 | 2.138% | 3,490,000 | 6/18/2025 | 84.813 |

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association (the “ABA”). CUSIP data herein is provided by CUSIP Global Services (“CGS”), which is managed on behalf of the ABA by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The City and the Underwriters are not responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness by the City or the Underwriters or as included herein.

Refunded Bonds – Escrowed to Call

| Series | CUSIP⁽²⁾ | Maturity | Par Amount | Interest Rate | Redemption Price | Redemption Date |
|---------------------|----------------------------|-----------------|-------------------|----------------------|-------------------------|------------------------|
| <u>2015A</u> | | | | | | |
| | 717813RJ0 | 8/1/2026 | \$10,985,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813RK7 | 8/1/2027 | 15,645,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813RL5 | 8/1/2028 | 4,305,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813RM3 | 8/1/2029 | 17,290,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813RN1 | 8/1/2030 | 4,755,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813RP6 | 8/1/2031 | 5,005,000 | 5.000% | 100.000 | 8/1/2025 |
| <u>2015B</u> | | | | | | |
| | 717813SB6 | 8/1/2026 | \$9,435,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813SC4 | 8/1/2027 | 9,920,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813SD2 | 8/1/2028 | 10,430,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813SE0 | 8/1/2029 | 10,965,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813SF7 | 8/1/2030 | 11,525,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813SG5 | 8/1/2031 | 12,115,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813SH3 | 8/1/2032 | 12,735,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813SJ9 | 8/1/2033 | 13,390,000 | 5.000% | 100.000 | 8/1/2025 |
| | 717813SK6 | 8/1/2035 | 28,580,000 | 4.000% | 100.000 | 8/1/2025 |

Refunded Bonds – Escrowed to Maturity

| Series | CUSIP⁽²⁾ | Maturity | Par Amount | Interest Rate | Payment Date |
|---------------------|----------------------------|-----------------|-------------------|----------------------|---------------------|
| <u>2020A</u> | | | | | |
| | 717813XW4 | 7/15/2026 | \$735,000 | 2.375% | 7/15/2026 |
| | 717813XX2 | 7/15/2027 | 750,000 | 2.475% | 7/15/2027 |
| | 717813XY0 | 7/15/2028 | 8,985,000 | 2.664% | 7/15/2028 |
| | 717813XZ7 | 7/15/2029 | 7,555,000 | 2.714% | 7/15/2029 |
| | 717813YA1 | 7/15/2030 | 11,900,000 | 2.814% | 7/15/2030 |
| | 717813YB9 | 7/15/2031 | 10,245,000 | 2.864% | 7/15/2031 |
| | 717813YC7 | 7/15/2032 | 8,095,000 | 2.964% | 7/15/2032 |
| | 717813YD5 | 7/15/2033 | 12,725,000 | 3.014% | 7/15/2033 |
| <u>2021B</u> | | | | | |
| | 717813ZK8 | 7/15/2026 | \$8,070,000 | 1.092% | 7/15/2026 |
| | 717813ZL6 | 7/15/2027 | 8,165,000 | 1.312% | 7/15/2027 |
| | 717813ZM4 | 7/15/2028 | 4,135,000 | 1.492% | 7/15/2028 |
| | 717813ZN2 | 7/15/2029 | 3,000,000 | 1.618% | 7/15/2029 |
| | 717813ZP7 | 7/15/2030 | 6,300,000 | 1.738% | 7/15/2030 |
| | 717813ZQ5 | 7/15/2031 | 7,405,000 | 1.838% | 7/15/2031 |
| | 717813ZR3 | 7/15/2032 | 5,250,000 | 1.988% | 7/15/2032 |
| | 717813ZS1 | 7/15/2033 | 5,565,000 | 2.138% | 7/15/2033 |
| | 717813ZT9 | 7/15/2034 | 9,255,000 | 2.218% | 7/15/2034 |

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